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POLICY DEVELOPMENT

The New Basics

POLITICS
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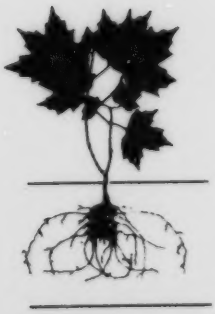

Task Force Reports

48th ANNUAL CONFERENCE

1985

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POLICY DEVELOPMENT

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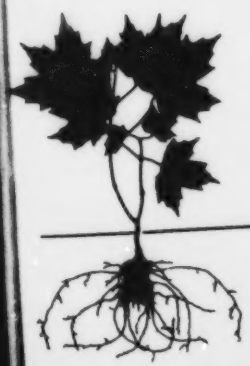

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FORWARD

The FCM's Task Force system, introduced two years ago, has proved its worth. Task Forces have provided a responsive, flexible mechanism whereby political leadership and expertise can be brought to bear on national municipal issues.

To influence public policy, we must do more than react to the initiatives of others. We must ourselves assume a vanguard role in policy development. The Policy Statements and related documents contained in this volume represent a considerable achievement. In the future, the FCM must build on this base. We have moved ahead, but by no means have we arrived.

The Policy Statements will be debated at the Policy Sessions throughout the 1985 Conference.

Alderman Doreen Lawson
President

TASK FORCE MEMBERSHIP LIST

1984-85

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SECTION A
POLICY STATEMENTS

FCM TASK FORCE ON HOUSING

THE FUTURE OF SOCIAL HOUSING PROGRAMS

INTRODUCTION

The Federation of Canadian Municipalities has an historic as well as a vital current stake in the housing policy debate now underway in Canada, particularly that aspect of policy which addresses the housing needs of Canada's lowest income groups. While there are some differences of view based on geography and size, Canadian municipalities share many common perspectives on housing.

It is important, above all, to keep in mind that with respect to housing, municipalities are on the front lines. It is to local governments that people turn first when their needs are not being met. When federal and provincial governments intervene in the housing market, municipalities are often direct beneficiaries; often, too, they are the first to suffer if the programs are not responsive to local concerns.

This paper addresses three basic principles the Task Force believes should underlie social housing policies and programs:

the partnership role municipalities should play in policy formulation and program development;

the need for a package of programs from which municipalities can select those most appropriate to local needs;

the need to foster stability, predictability and capability in relation to the municipal provision of social housing.

Context

Before discussing these three items, there are a number of points to be made about the context in which social housing policies for the future will be formulated.

FCM TASK FORCE ON HOUSING

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Context

Before discussing these three items, there are a number of points to be made about the context in which social housing policies for the future will be formulated.

First, it is increasingly evident that very little rental or owner housing is built in Canada today without some direct or indirect subsidy. Such subsidies come via a plethora of short or long term, municipal, provincial or federal programs too numerous to count here.

For example, the very pattern of development itself, wherein soft costs for new subdivisions, education, and long term infrastructure development and maintenance are not charged directly to new developments, constitutes a major subsidy source. In times of rapid growth, this is wholly defensible. Today, when suburban development often contributes to the depopulation of older areas, the underuse of existing services and enormous per capita public expenditures for infrastructure, it at least needs questioning.

In other words, we have a mixed economy approach to housing in Canada, both historically and by present necessity. Policies which fail to recognize this private/public interdependence will themselves fail, and will harm lower income Canadians in particular.

Second, there is an acknowledged and large gap today between economic rents for new units and market rents for existing stock. In some communities, this gap exceeds 100 per cent of market rents for middle-range apartments. This gap is a product of many factors, and is in need of further analysis to be understood. In the absence of a clear understanding of the basis of the problem, no hasty steps should be taken to remove rent review and regulation mechanisms. Furthermore, estimates of shelter allowances which do not take this gap into account are spurious and misleading.

Third, although there may be a large income shortfall for newlybuilt socially-assisted units, this shortfall is erased as the units get older and rents rise, allowing them eventually to become economically viable. In formulating new policies and programs, or in criticizing existing ones, it is necessary to assess the long term benefits and not only the short term costs. Programs designed to build a permanent and growing stock of affordable housing make economic sense; the money

invested early on will be recouped in later years by providing more affordable housing and, thus, a more effective program.

Fourth, in the 1970s, social housing production shifted from 100 percent subsidized public housing to new programs designed to serve a broader range of income groups. The non-profit programs have been successful in increasing the supply of good quality, affordable rental housing for households whose needs cannot be met in the private market.

These programs were also innovative in moving away from the earlier large-scale, high-density public housing model. Because nonprofit projects are designed to integrate assisted housing within existing neighbourhoods, and to mix low and moderate income groups, the stigma and social problems characteristic of public housing have been reduced. To be socially effective, it is important that commitment to this mix be continued.

Fifth, it is in the interests of both the public and private sectors to encourage substantial activity in the renovation-rehabilitation industry. A sizable portion of residential construction expenditures are generated by labour-intensive renovation activity. As well, rehabilitation of existing stock, along with optimal use of existing infrastructure, is crucial to the future economic and social health of Canada's older, slowly-growing urban centres. To be cost effective, social housing cannot be separated from the renewal and revitalization of the hearts of our urban areas.

Future Directions

Long term social housing strategies remain necessary to meet the needs of low and moderate income households unable to afford appropriate rental accommodation in the private market. To be adequate, housing policies must meet the following three criteria:

Accessibility — the distribution of units and their total number must be appropriate to the need;

Affordability - those who need housing must be able to obtain it;

Suitability - available, affordable housing must offer an appropriate mix of amenities and facilities for children, the elderly, handicapped persons, etc.

We can be proud of the fact that most Canadians are able to secure adequate and affordable housing through the private market. We believe that municipalities have played a significant role in ensuring that there is sufficient serviced land and appropriate community services to meet most housing-associated needs. However, there is still a significant minority who require some assistance to obtain adequate and affordable housing. For those Canadians who require such assistance, the three policy principles addressed below are proposed as guidelines for the future design and delivery of social housing programs.

POLICY PRINCIPLES

Municipal Role in Social Housing Formulation and Implementation

A. All three orders of government should maintain an active involvement in the policy formulation and provision of social housing programs

Because municipalities have a primary responsibility for social housing delivery, they should have a major role in policy formulation. The federal government must maintain primary financial responsibility for current social housing production. If the provinces wish to be involved in policy formulation or in administration, it is imperative that they contribute or continue to contribute funding assistance.

B. A formal mechanism should be established for regular and frequent discussions among all orders of government on the future direction of social housing programs

Municipalities engaged in delivering housing programs have valuable local experience and information to contribute to the review, revision or design of housing programs.

In spite of their growing significance as social housing providers, municipalities have not been consulted in any meaningful way by central governments on program development.

Establishing a process for ongoing intergovernmental consultation would be useful in bringing about needed improvements to program delivery, and in reducing the current uncertainty at the municipal level as to the future direction of social housing programs.

C. Municipalities, municipal non-profit housing corporations and/or community groups should be responsible for delivery of most public sector housing programs

Over the past two decades, many municipalities have become actively involved in the delivery of federal and provincial housing programs through municipal non-profit corporations. Locally-based community organizations have also gained extensive experience in providing co-op and non-profit housing.

Future social housing initiatives should utilize existing staff expertise and established housing corporations at the municipal and community levels. Social housing program delivery is most sensitive and responsive to a community's needs and housing market conditions when it is a local responsibility.

Housing Programs: A Kit of Parts

Access to a package of housing programs would improve the ability of municipalities to address the housing needs of low and moderate income households not served by the private sector's market and assisted market housing.

Because housing market conditions vary widely across the country at any given time, a range of program options is needed to address associated

housing problems. To be able to respond flexibly to diverse and changing conditions, municipalities must be able to vary their approach to providing assisted housing.

The package of programs on which municipalities should be able to draw could include such components as:

1) continuation of mixed-income, non-market supply programs geared to below-median-income households as defined regionally and by household type. These programs expand the permanent stock of affordable rental housing for low and moderate-income households, and imply a continued commitment to the principles underlying the 56.1 programs -albeit with modifications to improve targetting;

2) reintroduction of 100 percent Rent-Geared-to-Income (RGI) housing to be built as small-scale projects that would mitigate the problems associated with large public housing projects. As with (1), the RGI program would aid in expanding the permanent stock of affordable rental housing for low-income households;

3) programs directed to preserving existing housing stock including its renovation, restoration, reconstruction and intensification. Housing policies should be seen as one component of a package of actions that ensure we maintain livable communities and make more efficient use of existing housing stock and infrastructure.

4) development of programs to address existing program gaps for those not served by the private sector or current programs. These include low-income single persons, childless couples under the age of 60, the handicapped and those in need of transition, second-stage housing or group homes. Affordable housing stock for these population groups is rapidly decreasing. A program of acquisition and construction of rooming houses and other appropriate accommodation is necessary to address these shortages on a permanent basis, as is a program to provide needed management services;

5) programs to permit the acquisition of existing rental stock in all provinces. Affordable rental housing is rapidly being eliminated from inner-city neighbourhoods. At present, government policies in most provinces inhibit acquisition under the S.56.1 programs. Additional unit allocations for aquisition would offer municipalities an important tool for preserving threatened rental stock and maintaining affordable housing in these neighbourhoods;

6) means of ensuring that existing social housing stock is maintained in the public sector. These units (eg. limited dividend) are a highly valuable social resource for the communities in which they are located. Their retention and rehabilitation should be a guiding principle in setting directions for the future of social housing;

7) limited program of assistance for home ownership in areas where rental stock is non-existent or this approach is more cost effective, e.g. some rural communities, small towns and native communities;

8) rent supplement/shelter allowance program. In housing markets with a high vacancy rate, or for people who are adequately housed but in need of assistance, this approach could be a useful short term instrument to improve affordability of private rental housing. When provided to public sector housing, it also can have long term benefits because rents are publicly controlled. It is important that such a program be viewed as but one component in a package of programs because of its limited ability to address housing adequacy and its potential inflationary impact.

Stability, Predictability & Capability

A. Central governments should provide three to five year funding commitments to social housing program development

At present, the timing of unit allocations makes rational planning for municipally and community-provided social housing impossible. The amount of lead time required for land acquisition, design and approval procedures, means that municipalities must proceed with project development long before unit allocations are guaranteed. Without the assurance of forthcoming funding or program continuity, local housing providers are placed in a position of serious financial risk. Increasing the lead time on program commitments would introduce more certainty into planning for assisted housing at the local level.

B. Municipalities should have access to financial instruments other than the property tax to meet their social housing responsibilities

By directing funding to individual municipalities, central governments would enable local municipalities to develop the "package" of social housing programs most appropriate to their needs. As an alternative to the current system of allocating units to be built under a specific program, a social housing budget would allow more flexibility at the local level and encourage the use of other financial mechanisms and creative public/private initiatives.

C. It is important to recognize that housing programs cannot resolve the problem of low income

Income levels should be established below which there is seen to be a social assistance problem. Housing programs should not be burdened with the cost of achieving social assistance or such objectives as job creation. It should be a social assistance concern to guarantee that recipients have access to a level of housing allowance sufficient to enable landlords, public or private, to cope with higher costs. Housing assistance should be an element in a coordinated package of assistance to those with low incomes, but not its sole element.

CONCLUSION

Municipalities have played a significant role in providing social housing. Through direct involvement and/or assistance to private, third sector groups, they have facilitated the national aim of meeting social housing needs.

Social housing programs have been useful tools for municipalities. Production of sensitively-designed assisted housing through these programs has also enabled municipalities to address broader social and physical planning goals. Such programs ensure the continued access of low and moderate-income households to a variety of neighbourhoods, including those in the inner city.

Not inconsequentially, these programs have greatly stimulated the construction industry, thereby creating employment while fostering urban renewal. The multiple advantages of mixed-income, public sector programs should be recognized in the design of future social housing policies and programs.

In deciding future social housing directions, the perspectives of municipalities should be included in the policy formulation process. The contribution municipalities make to the delivery of housing programs should be recognized. Based on our extensive experience in social housing, we are proposing what we believe to be socially responsive, fiscally responsible principles for a social housing strategy for Canada.

TASK FORCE ON MUNICIPAL INFRASTRUCTURE

BACKGROUND: The Problem

In recent years, circumstances have combined to create problems for municipal infrastructure:

- pressure on budgets during recession
- some post-war infrastructure now nearing end of lifespan
- rapid inflation of 1970s unmatched by corresponding tax increases
- reluctance to borrow at high interest rates
- reduction in federal and provincial funding
- delays caused by increased public involvement in decision-making

For all these reasons, municipalities began to cut back on maintenance, thereby causing more rapid deterioration. In addition, delays in repair and replacement increased operational costs while compounding the eventual pricetag for renewal.

This report reviews the activities being pursued by FCM to address these problems. It starts with a summary of the findings and recommendations of a study on physical condition and funding adequacy, and moving onto work being done in cooperation with provincial and territorial municipal associations, a study on the economic impact of investment in infrastructure and new initiatives being pursued by FCM with the federal and provincial governments. Before presenting these activities, however, it should be noted that concern about the state of municipal infrastructure is shared by other sectors of Canadian society, and is being highlighted by such organizations as the Canadian Construction Association, the Canadian Federation of Labour and the Canadian Union of Public Employees.

THE FCM RESPONSE: Physical Condition and Funding Adequacy

In recognition of the situation, the Federation of Canadian Municipalities created a Task Force on Municipal Infrastructure in June, 1983, to assess the magnitude of the problem and to develop strategies to deal with it. A Technical Committee comprising of senior appointed municipal officials and the Faculty of Civil Engineering, University of Toronto carried out a survey and analysis of the state of urban infrastructure. This was submitted to the Task Force and the FCM in June 1984. On the basis of this the FCM published, Municipal Infrastructure in Canada: Physical Condition & Funding Adequacy, as volume 4, number 1 of FCM's "Municipal Dimensions" series in January, 1985.

The study concluded that there is a significant municipal infrastructure problem in Canada. Such essential facilities as roads, sidewalks, bridges and sewers are in the poorest condition and are deteriorating rather than improving. Nonetheless, it noted, the opportunity exists to reconstruct our municipal infrastructure and to strengthen Canada's economic recovery while, at the same time, employing large numbers of Canadians in these labour intensive works.

Accordingly, the study recommended that:

1) Steps should be taken to halt the trend towards infrastructure decline;

2) The FCM should direct its Task Force on Municipal Infrastructure, through its Technical Committee, to crystallize specific policies and outline programs for corrective action to achieve this aim;

3) Programs should be established to begin implementing these policies and to deal with the reconstruction of deteriorated infrastructure over the next decade;

4) An intergovernmental partnership should be established to engage the combined and cooperative efforts of the three orders of government in solving the infrastructure problem;

5) Public awareness of the infrastructure problem should be increased to obtain public support for necessary remedial measures through wide dissemination of this report and other means available to FCM;

6) Without jeopardizing the provision of new facilities to meet growth, a greater emphasis should be placed on maintenance and reconstruction as opposed to new construction in order to extend the life of existing facilities.

With respect to funding adequacy, the study concluded that the costs of bringing the most seriously deteriorated infrastructure (roads, bridges, sewer and water systems) to acceptable levels are high. In with populations greater than 100,000, the cost is estimated to be $680 per capita. In smaller municipalities, the precise costs cannot be estimated on the basis of currently available date, but are recognized as being considerable.

The study further noted that the major responsibility for financing municipal infrastructure lies with local governments and local users. But, it concluded, the costs of the needed repairs identified in the study -which represent and additional $12 billion beyond what municipalities would be spending public works in lany case, or a 6.75% increase in total municipal budgets -is too substantial to be borne exclusively by municipalities.

Accordingly, the study recommended that:

7) Present jurisdictional barriers between local, provincial and federal governments should be minimized;

8) Financial assistance should be sought from provincial and federal governments, especially for works having provincial or regional benefits and implications;

9) Additional local government funding sources, including new methods of financing capital works, should be found to help solve the revenue shortfall problem.

Finally, the study concluded that while inadequate funding is the primary cause of infrastructure decline, there are a number of other impediments to infrastructure maintenance and rehabilitation. These include prolonged public involvement in decision-making, political inaction, excessive red tape, overly-stringent conditions on central government funds, lack of staff and, in some cases, appropriate techniques for problem analysis and infrastructure management.

Accordingly, the study recommended that:

10) Methods should be investigated which would reduce waste and excess costs due to delays, excessive red tape and other impediments to reconstruction and maintenance of infrastructure;

11) To achieve more national consistency in levels of infrastructure service, work should begin on the setting of service standards. This should be done in concert with the United States and European countries where such work is in progress. This is a long-term effort; rebuilding of infrastructure should not await its completion;

12) Greater interchange of information between Canadian municipal officials should be encouraged through strengthened national associations and publication of manuals on information handling, acceptable levels-of-service indicators, technical maintenance strategies and other infrastructure management practices;

13) Better information systems should be developed, particularly in smaller municipalities, to permit better management of infrastructure systems and more effective use of funds.

Finally, the study noted that national priorities may need adjustment to recognize that Canada is a highly urbanized nation. It pointed

out that it is in Canada's urban areas, both large and small, that most Canadians live, and that it is here that the greatest infrastructure problems are being manifest.

Towards this end, it also was recommended that in through 1984 and 1985 FCM meet with the appropriate federal ministers and, through the provincial municipal associations, with provincial ministers, to establish a cooperative plan for tackling Canada's municipal infrastructure problems.

These recommendations were adopted by FCM's National Board of Directors in October, 1984, and have set the course for the work of the Task Force since then. These "follow-up" efforts, as well as the recommendations and policies that flow from them, are discussed below.

1985 TASK FORCE EFFORTS

The following summary of the recommendations elaborated on above will illustrate the basis for the actions pursued by the Task Force since the study's release in January:

- formation of intergovernmental partnerships
- seek active support and involvement of provincial municipal associations
- increasing public awareness of the scope and nature of the problem
- encouraging municipalities to place greater emphasis on maintenance and reconstruction
- encouraging local governments to review budget priorities
- investigating alternative sources of revenue
- reducing bureaucratic impediments to reconstruction and maintenance
- seeking increased federal and provincial funding

- establishing national standards for assessing condition
- improving information systems to better manage infrastructure
- increasing the exchange of information among municipal officials

To achieve these aims, the Task Force has engaged in the following:

1) Follow-up activities with provincial and territorial municipal associations

In a number of provinces, this has taken the form of broadening the information base obtained in the original study by assisting municipalities that did not participate initially to complete the survey form. This will provide a more detailed and accurate pricture of infrastructure deficiencies for use on a national basis and within each province as municipal infrastructure programs are established.

Provincial associations have been keeping FCM abreast of infrastructure-related programs being developed within their jurisdictions. This ensures that in talking with federal representatives, FCM members have complete information about what is happening across the country. In addition, FCM representatives have been taking part in such events as the Symposium on Municipal Infrastructure sponsored by the Association of Municipalities of Ontario in March.

Stress will be laid in the coming months on preparing a status report for consideration of the provincial ministers of municipal affairs at their annual meeting in August.

The Task Force encourages FCM and the provincial and territorial associations to continue with and expand upon these efforts.

2) Commissioned a study of the impact of injection into the economy the funds required to ameliorate the state of municipal infrastructure.

The study released in January on physical condition and funding adequacy highlighted the value of infrastructure improvement as a means of creating jobs. The first question posed -by journalists, FCM members and MPs -was "how many jobs?" The second question was "what will be the effect on the deficit of this capital investment?"

To answer both of these questions, Informetrical Ltd, a consulting firm specializing in econimic analysis and forcasting, was retained by FCM. The report they have prepared, which is to be issued as the body of volume 4, number 3 of FCM's "Municipal Dimensions" series is entitled The Macroeconomic Impact of Accelerated Spending on Municipal Infrastructure.

Informetrica's analysis includes an examination of the direct, indirect and induced effects on the economy of spending $12 billion (the amount the earlier study indicated was necessary) over a five-year period beginning in 1986. In addition to employment, the effects on the deficit, inflation, interest rates and wages were examined.

The study concluded that if there is no significant effect in interest rates as a result of the $12 billion expenditure, the effect on GNP will be larger than the initial expenditure. If there is an effect on interest rates, the effect on GNP will be almost the same as the amount of the expenditure.

In terms of employment, the study suggests a total increase in employment for 1986-90 of 222,000 to 285,000 person years, or of between 45,000 and 60,000 jobs per year.

Benefits would accrue most notably to the construction and manufacturing sectors of the

economy. This would result not only from direct municipal investment, but indirectly through increased expenditures on residential purchases and improvements that would result from higher household incomes.

As well, based on previous work, Informetrica is prepared to state that among possible short-term stimulus options, infrastructure spending tends to have one of the highest impacts on output, employment and incomes because it is a spending program with comparatively small (approximately ten per cent) direct import requirements.

Copies of the study have now been forwarded to appropriate federal minister. Upon publication as an issue of "Municipal Dimensions", sufficient copies will be provided to provincial and territorial municipal associations for use in their consultations with provincial authorities. Copies will also be made available to all FCM members.

Despite the largely positive findings of the study, a number of questions central to discussion of a major national infrastructure program remain unanswered. Among these are:

- Where and for whom will jobs be created?

  The Task Force will be recommending to the federal government that it work with FCM to undertake the research needed to respond to this question.

- What will be the impact on the provincial governments of instituting such a program?

  The Task Force recommends that provincial municipal association representatives discuss this sissue with appropriate provincial authorities.

- How will such a program relate to national and local economic development objectives?

The Task Force recommends that this issue be examined as part of the work being undertaken by the FCM's newly-established Municipal Economic Development Resource Centre.

- What is the incremental cost of delaying necessary infrastructure repairs?

  The Task Force recommends that the Technical Committee undertake a review of this matter in terms of physical and financial costs.

3) Supported efforts of the Technical Committee to work with the federal and provincial governments to revise guidelines for future programs related to municipal infrastructure.

In a report to the Chairman of the Task Force dated March 14, 1985, the Chairman of the Technical Committee outlined the aims and results of meetings held earlier in the month with officials from Transport Canada and the Department of employment and Immigration.

In meeting with Transport Canada, the Technical Committee stressed that:

- In order to deal with the infrastructure problem, emphasis should be placed on reconstruction rather than solely on new construction. Current cost-sharing arrangements favour new construction (80% cost shared) over reconstruction (50%).

  The response was positive. It was suggested that municipalities submit specific requests for public works even though previous programs have expired as this will assist staff in structuring new programs;

- Although UTAP programs have been used primarily for grade crossings and transit, future UTAP-type funds should also be available for street works. This would be in accord with the

past practices of provincial governments of using such funds for highways.

It was suggested that FCM approach the provinces to obtain their support;

. Regulations and the approval process need streamlining. Rationalization is being investigated in order to reduce the number of funding sources n the future. This should result in fewer regulations and a simpler approval process for new programs.

It was suggested that FCM FCM approach the committee chaired by the Honourable Eric Nielson which is charged with this task to discuss the matter;

. The five-year time-frame of the UTAP program was too short to allow rational allocation of municipal resources. A ten-year period was suggested as an alternative for the future. The rationale for the suggestion appeared to be understood.

In meeting with Employment and Immigration officials, the Technical Committee stressed that:

. The emphasis of traditional works programs on new construction rather than on repair and reconstruction has contributed to the current infrastructure problem.

The federal government is concerned that its programs not be used as a substitute for normal maintenance for which municipalities are responsible. It was suggested that rather than excluding reconstruction altogether, regulations be developed to provide federal funding only in excess of a reasonable level of municipal funding;

- The past practice of federal funding for solely the labour component of public works has caused problems.

  The officials indicated a willingness to consider cost sharing on the basis of a percentage of total cost;

- Restrictions on timing and hiring made it difficult for municipalities to make full use of public works grants. The Committee pointed out that the anticipated emphasis of new works programs on training and hiring youth could be achieved without imposing unduly restrictive regulations.

  The officials indicated a willingness to develop regulations that permit greater local flexibility.

- The short time-frame of traditional works program has precluded rational municipal planning and allocation of resources.

  Discussions on the duration of programs so as to permit greater stability will continue.

In summarizing their discussions, the Technical Committee noted that Transport Canada officials are impressed with the infrastructure report on physical condition and funding adequacy. They also appeared pleased with the improvement in communications and anticipate that discussions will continue. They emphasized, however, that relations with their provincial counterparts will still be primary, but that three-party meetings may be feasible in the future.

They also noted that in relation to the employment aspects of infrastructure, past winter works programs have not been effective in dealing with the problems outlined in the infrastructure report. It was felt that Employment and Immigration officials were receptive to this criticism.

Finally, while noting that federal funding is very limited at present, the Technical Committee concluded that there is reason to believe that the federal government will be reinstating some programs that can assist municipalities. It is evident that FCM has succeeded in its aim of making the federal government aware of and more sensitive to the municipal infrastructure problem.

4) In association with the FCM Big Cities Mayors' Caucus, the Task Force has met with the federal ministers and senior staff of the Department of Finance, Transport, Employment and Immigration and Regional Industrial Expansion to discuss the infrastructure situation.

Further sessions are being planned with these and other pertinent officials for the summer and fall. At these meetings, infrastructure will be raised in the context of examining the new roles municipalities can play in economic development.

5) Through the FCM, some progress is being made in the areas of research indicated as being needed in the January report

Statistics Canada is currently field testing new questionnaires in several municipalities that will provide national data of fixed assets and of capital and repair expenditures. FCM is being kept apprised of the progress of this effort which will ultimately provide a useful data base;

FCM has been approached by a number of engineering firms involved in developing methods for non-destructive testing of municipal infrastructure condition;

Discussions among Task Force and Technical Committee members as to how to best implement recommendations 11 through 14 of the report on physical condition and funding adequacy will continue.

The Task Force on Municipal Infrastructure recommends adoption of the above report.

TASK FORCE RESOLUTION

The following resolution, which was approved by the National Board of Directors on March 30, 1985, is put forward as a replacement for Resolution III-005c, which was itself a consolidation of resolutions received from the City of St. John (NB), SUMA, the Town of Wabush (Lab), the City of Regina, the Municipality of Queen's County (NS) and the District of Maple Ridge (BC);

Whereas, Economic recovery and job creation should be the immediate objective of all governments in Canada; and

Whereas, The responsibility must be shared by all orders of government; and

Whereas, FCM's studies document that local government infrastructure is deteriorating at an exponential rate; and

Whereas, FCM's studies document that 250,000 jobs would be created by work on municipal infrastructure; therefore

Be It Resolved, That FCM requests that the federal and provincial governments join with municipalities in implementing a municipal infrastructure program in accord with the findings and recommendations of FCM's studies.

TASK FORCE ON URBAN AND REGIONAL TRANSPORTATION

INTRODUCTION

Transportation is the vital link in our Canadian economy and in the fabric of our nation.

Canada's constitution allocates responsibilities for transportation to two orders of government. The Federal government is responsible for interprovincial transportation, while provincial governments are responsible for intra-provincial and local transportation. They, in turn, delegated primary responsibility for "intra-city" transit to regional or local municipalities.

The financing of urban transit in Canada has been an important area of concern to municipalities for a number of years. By the late 1960's severely congested downtowns, the rising costs of gas, oil and auto maintenance, together with questions about the real benefit of large highway programmes, started a return to transit. Ridership has increased and, as a result, revenues associated with passenger traffic has increased dramatically over time.

ISSUES A NEW FEDERAL TRANSPORTATION POLICY POLICY

In 1978, in order to fulfill a campaign promise, the federal government instituted the Urban Transportation Assistance Programme. This programme made available to the provinces a sum equal to $10.00 per capita, payable over six years, for either railway relocations or certain urban transit capital projects, such as the acquistion of commuter rolling stock, the construction of commuter stations, the acquisition of transit buses, the construction of transit maintenance and storage facilities, of busways and improved accessibility for the handicapped. This funding terminated in March 1984.

The FCM recognizes that the primary responsibility for urban transit rests with the provinces and their municipalities. We believe, however, that the magnitude of resources required for the provision of adequate transportation

service to the 75% of Canadians who now live in urban areas necessitates a comprehensive federal transportation policy which includes the availability of federal funding. We believe that the following elements justify that funding.

The federal government has overall responsibility for the health of the Canadian economy. Urban transit is both labour intensive and technologically advanced. In 1983, urban transit accounted for 35,000 jobs directly, while another 4,000 Canadians were employed in the manufacturing of transit vehicles. Operating budgets total $1.4 billion annually and capital assets exceed $3 billion. As an industry, productive capacity far exceeds domestic demand. Consequently, viability rests with our ability to export abroad. In recent years, Canadian industry has built subway cars for New York City, electronic trolleys for San Francisco, streetcars for Santa Clara (California) and complete automated systems for Detroit.

The Minister of Transport, the Honourable Don Mazankowski, has stated that the world market for urban transit systems is expanding rapidly. In July 1984 it was stated that "the potential investment to the end of this century is estimated to be $400-500 billion (and) the number of rapid transit systems is predicted to grow from 70 to 150 worldwide". Thus it is critical that Canadian industry remain internationally competitive and bid for contracts to complete subway systems in places like Tredellin (Columbia), Singapore, Laos, and Baghdad. The federal government should be prepared to assist industry in this regard.

The federal government is committed to conserving energy and are reminded of the tremendous energy savings which result from the use of urban transit systems. Urban transit utilizes less than 2% of all transportation related energy used in Canada, yet carries approximately 16% of all travel.

Public transit systems are a necessary service for many segments of the Canadian population. The federal government is committed to integrating the disabled into the mainstream of Canadian society. Yet without parallel transit

services, the disabled in wheelchairs are forced to depend on family and friends or remain at home or in institutions. It is estimated that the number of passengers using parallel transit systems will double by the year 2000 and double again by 2020. Similarly, other groups of citizens such as the poor, the elderly, children, students, sole support mothers, etc. would be prevented from being full participants in society without an adequate public transit system.

POLICY RECOMMENDATIONS

Therefore, it shall be the policy of the FCM to:

(1) urge its member municipalities to provide efficient and reliable public transit systems in all urbanized regions of Canada.

(2) urge the federal government to develop a national transportation policy.

(3) recognize that a national transportation policy should address the needs of:

(a) transportation safety
(b) research and development
(c) rail commuting
(d) bus, streetcar, subway and light rail systems
(e) parallel transit for the disabled.

(4) congratulate the federal Minister of Transport for his decision to give priority to upgrading transportation safety and to emphasize the need for a "major effort to end the carnage at railway level crossings".

(5) urge the federal government to accept immediately the necessary financial responsibility for rail grade crossings.

(6) request:

a) the federal government to implement a programme of financial assistance for urban transit;

b) that such a programme be a long-term programme of at least 10 years' duration with the funding being indexed to inflation;

c) that the approval process for funding under this programme be much simpler than that required under the UTAP Programme;

d) that this programme provide funds for capital projects, research and development and demonstration projects;

e) that such a programme assist (for a maximum of 5 years) the CUTA to provide a secretariat service for operators of parallel transit for the disabled across Canada;

f) that funds for this programme should be given to the provinces on a per capita basis with the clear understanding that they are to be passed-through to municipalities;

(7) support the need for the operation of parallel (as opposed to integrated) transit services for the disabled and to urge the federal government to recognize the financial burden imposed by such services and contribute towards the costs of operation;

(8) request the federal government to help municipalities lower their transit costs by introducing a new dollar coin already prepared by the Royal Canadian Mint and by requiring the Bank of Canada to accept the 25 cent pieces which may come surplus after the new coin has become widely used.

(9) request the federal government to make funds available to the Canadian Urban Transportation Association so that they may co-ordinate the $35 million worth of urban transit research going on in Canada through governments and agencies, universities and the private sector. This would eliminate the duplication gaps and improper sharing of results that presently exists;

(10) urge the federal government to give priority to amending federal legislation to ensure that rail corridors in urban areas are used to their fullest potential in the transportation of goods and people, including commuters. New legislation should increase access to tracks for commuter operations and create a more favourable cost formulae in the process.

TASK FORCE ON GRANTS-IN-LIEU OF TAXES

THE ISSUES

Property is the major source of revenue for municipalities. This tax base is important to municipalities, not only for the provision of municipal services and amenities and the capacity to borrow for various undertakings, but also for fiscal autonomy. Control over the property tax and the authority to set tax rates from year to year, gives municipal councils discretion in the setting of expenditure priorities and the establishment of long-term financial commitments. This has become more important as municipalities have come increasingly to depend on grants from other orders of government, particularly conditional grants.

In recent years, municipalities have expressed concern about their ability to control their own affairs while having to depend on financial assistance from other governments. This concern has been exacerbated by the tendency of some provincial governments to use property taxes as a source of revenue for purposes which are outside municipal jurisdiction and responsibility. In some provinces, this has led to a serious erosion of the property tax base as a source of revenue for municipal activities. Municipal dispproval of this situation is particularly evident in those provinces where property taxes are used either directly or indirectly for such things as social services and education.

Added pressure on the property tax base, combined with increasing dependency on conditional grants, has led to a serious loss of municipal autonomy and a steady erosion of the capability of municipalities to plan their financial affairs and to meet the needs and expectations of their citizens. In addition, it has weakened their ability to work with other orders of government in the implementation of policies and programs locally.

In this context, all sources of property tax revenue are particularly important to municipalities, including such tax revenue from other orders of government. Traditionally, the federal government has paid property taxes to municipalities in the form of grants-in-lieu of taxes. The federal government has chosen this mode

of payment in order to maintain its constitutional prerogatives and special status in relation to provincial and municipal governments. The federal government has no wish to make itself subject to provincial and/or municipal taxation policies. By paying grants-in-lieu of taxes, the federal government is able to meet its financial obligations to municipalities with respect to municipal services which benefit its various operations, while maintaining its constitutional autonomy and discretion. The latter enables the federal government to define its own financial obligations to municipalities in relation to the various federal operations in existence and, at the same time, assess its own property and establish its own rates.

Generally, municipalities have regarded grants-in-lieu of taxes as an acceptable alternative to the payment of property taxes. Over the years, through legislative changes, the federal government has moved closer to accepting its full financial obligation to municipalities. Nevertheless, many municipalities which have a federal presence continue to encounter serious problems in persuading the federal government to use its discretionary authority in a fair and reasonable manner. From the municipal perspective, the guiding principle is that a municipality should not be fiscally disadvantaged by the presence of federal property (i.e., suffer a net negative fiscal impact). Many municipalities find that this principle is ignored by the federal government in the determination of grants-in-lieu of taxes. In addition, the federal government often refuses to accept those financial obligations which apply to private property owners. This leads to a variety of anomalies and inequities.

In light of the above, the Federation of Canadian Municipalities supported the decision of the Ministry of Public Works to accept the principle of an appeals process in regards to municipal grants-in-lieu of taxes, and the establishment of a Municipal Grants Review Committee.

The following are among the specific complaints which municipalities have with respect to federal policies and practices:

1. Many types of federal properties are exempted from grants-in-lieu of taxes although often benefitting from municipal services. There is a concern that the federal government continues to exclude from the determination of payments in lieu of tax properties which, if privately owned, would be subject to municipal taxation. Not only are grants-in-lieu of business taxes not paid on departmental properties, but they are also not required from many federal agencies engaged in business-like operations. This necessarily creates anomalies between the taxation of federal and privately-owned properties.

With respect to this matter, it should be noted that the report of the federal government's Study Group (The Need For and The Feasibiliy of An Appeals Process in Regard to Municipal Grants-in-lieu of Taxes) observes that "The Federal Government maintains that government is not a business and that making such grants-in-lieu of taxes would result in a considerable financial burden".

2. Federal exemptions impose an additional burden on taxpayers. This is regarded as unfair, particularly for those municipalities where the portion of exempt properties is unusually high. It is argued that since federal properties are provided for the general benefit of all Canadians, their full costs, including those placed upon municipalities, should be met by Canadian taxpayers.

3. Federal exemptions of certain federal properties have resulted in major discrepencies between federal and provincial assessment and taxation policies. Certain types of property which are made exempt from federal taxation are assessed and taxed in most provinces. It is felt that federal and provincial properties should be treated in parallel fashion. This would help to ensure that municipalities are not fiscally disadvantaged by the federal presence.

On this matter it should be noted that the federal Study Group points out that provincial legislation is widely variant across the country, and that "some provinces do not even pay grants-in-lieu of taxes on provincial property". Also "...municipal grants are paid on certain properties that the provinces do not pay on, for example, churches and school".

4. Exemptions of certain classes of property which are uniquely federal create further fiscal disadvantages for certain municipalities. These exemptions are to be found in Schedule II of the Municipal Grants Act.

5. Exemptions of certain Crown Corporations create anomalies as between those operations which are expected to earn a reasonable rate of return on investment and those which are expected to provide a service. The distinction is regarded as an irrelevant criterion because municipal services are required by federal properties regardless of their profit orientation. To the extent that the equivalent of business taxes is not paid, municipal governments and their local taxpayers are subsidizing federal activities benefitting all Canadians in this respect, the report of the federal Study Group observes that "...certain federal crown corporations that are viewed as being "business operations" do pay grants-in-lieu of business taxes".

6. Exemptions of certain Crown Corporations are based on the argument that the cost of services to these corporations does not warrant the payment of such taxes. The effect is to deduct from grants-in-lieu amounts for unused and/or self-provided services. It is argued that the existing pattern of local taxation, including business taxes, is a widely accepted method of distributing the municipal tax burden and there is no reason that the federal government should interfere with or reject that. Benefits received are not the only acceptable basis for allocating tax burdens.

7. Exemptions from the payment of grants-in-lieu of business taxes produce interprovincial inequities. In provinces where the business tax is tied to the property tax base the federal government is, in effect, currently paying grants-in-lieu of business tax, but where the tax is associated with one of its many other bases, such is not the case. It is argued that the federal government should recognize business taxes as a valid municipal revenue source, and the lack of a direct link between it and the property tax base as an artifical distinction.

8. Ministerial discretion is used to devalue property values from the assessed values established by assessment authorities. In effect, property values can be devalued at the will of the Minister. The result is a disparity between the assessed values of many federal properties and the values which the federal government accepts for grants-in-lieu of tax determination.

9. Differences of opinion as to the appropriate value to be placed on federal properties is made the subject of discussion and negotiation between federal and municpal authorities. Nevertheless, it is observed that because the Minister is the sole arbitrator, both judge and litigant, municipalities often feel that they have not had a fair hearing. As well, it is observed that seemingly arbitrary decisions result in dissatisfaction over apparently inappropriate and unfair treatment among municipalities. It is for this reason that the Federation of Canadian Municipalities welcomed and supported the decision of the Minister of Public Works Canada in accepting the principle of an appeals process with regard to grants-in-lieu of taxes, and the estalishment of the Municipal Grants Review Committee.

10. There is concern that federal authorities are less than prompt in paying grants-in-lieu to municipalities. It is argued that they should feel no less obliged

than other taxpayers to meet their financial obligations as quickly as possible.

The report of the federal Study Group observes that "Timeliness of grant payments is a major issue", and "...that the payment of grants after a taxation year imposes a considerable financial burden on grant recipients".

11. There is also concern that federal authorities often fail to admit to their financial obligations under federal legislation. It is argued that it should not be the responsibility of municipalities to act as a "watch dog" over federal agencies, and/or become engaged in lengthy negotiations with them about their financial obligations.

RECOMMENDATIONS

In light of the above, it is the recommendation of the FCM Task Force on Grants-in-Lieu of Taxes that the FCM:

1. urge the federal government to commit itself and its agencies to grants-in-lieu equivalent to full property taxes and assume the position of a normal property taxpayer bound by the relevant practices in each province;

2. urge the federal government to accept the legitimacy of business occupancy taxes as a means of financing and distributing the cost of municipal services, particularly since it is effectively already paying them in provinces where they are linked directly to the property tax. This will help to eliminate interprovincial inequities among municipalities based on variations in the tax base;

3. urge the federal government to review remaining exemptions of certain classes of property which are uniquely federal listed in Schedule II of the Municipal Grants Act. This should have the effect of eliminating the disadvantages experienced by

municipalities in which certain exempt properties are located;

4. monitor and analyze the impact of exemptions of certain classes of federal property listed in Schedule II of the Municipal Grants Act;

5. urge the federal government to eliminate those exemptions which are based on unused and/or self-provided services. This would recognize the principle that each taxpayer should be prepared to pay a fair share of the cost of community services even if not directly or immediately benefitting from them. In this respect, it is acknowledged that special treatment may be required to maintain a reasonable relationship between grants-in-lieu of taxes and local expenditures on behalf or account of federal properties. This special treatment could be acocomplished either by adopting the tax practices of the province in which the property is located, or by establishing a nationwide procedure representative of the provincial approaches;

6. urge the federal government to add a municipal representative from the Federation of Canadian Municipalities on the Municipal Grants Review Committee.

7. urge the federal government to clarify and further publicize the role and responsibilities of the Municipal Grants Review Comittee, and ensure that the Federation of Canadian Municipalities is advised on a regular basis of the submissions made to the Committee, and the opinions of the Committee on such submissions for communication to municipalities;

8. urge the federal government to establish an independent appeal process as quickly as possible following the two year mandate of the Municipal Grants Review Committee;

9. urge the federal government to ensure that its agencies make prompt payments of

grants-in-lieu of taxes to municipalities. In this regard, urge the federal government to act on the suggestion contained in the federal Study Group's report that a committee composed of Municipal Grants Division personnel and grant recipients be established to examine methods of grant delivery possibly with the view to improve the timeliness of grant payments;

10. urge the federal government to ensure that its agencies accept their financial obligations in respect of grants-in-lieu of taxes under current federal policies;

11. urge the federal government to identify which crown corporations are currently paying grants-in-lieu of business taxes, and to resolve the current controversy surrounding the allocation of corporations to Schedules III and IV of the Municipal Grants Act, 1980 with respect to the payment of grants-in-lieu of property and business occupancy taxes;

12. urge the federal government to act on the suggestion in the federal Study Group's report that a committee be established, composed of federal evaluators and provincial assessors, to examine the manner in which federal properties are currently assessed;

13. urge the federal government to act on the federal Study Group's opinion "...that the Municipal Grants Division should develop a formal program of information dissemination designed to foster a better understanding of the Municipal Grants Act and the program in general";

14. monitor municipal complaints and problems with respect to federal grants-in-lieu of taxes and draw these to the federal government's attention. This would include any inconsistencies and/or discrepencies with respect to the allocation of grants to municipalities among provinces;

15. monitor and analyze the submissions to and opinions of the Municipal Grants Review Committee;

16. assist municipalities, when requested, in dealing with federal authorities in the resolution of problems and complaints concerning the payment of grants-in-lieu of taxes;

17. work with municipal associations on interprovincial issues and concerns involving provincial grants-in-lieu of taxes to municipalities. In this respect it is recognized that associations may wish to urge their respective provincial governments to:

    a) follow the example of the federal government by adopting the principle of an independent appeal process, and to establish an interim mechanism to provide an independent objective opinion on differences of opinion on grants;

    b) pay grants-in-lieu of taxes on provincial property in municipalities in those instances where they are not currently doing so, particularly with respect to those types of property on which grants would be paid if they were owned by the federal government;

18. work with municipal associations in urging the federal and provicial governments to develop a national policy and program with respect to the payment of grants-in-lieu of taxes by both orders of government;

19. work with municipal associations in informing municipalities of recent federal initiatives and changes to federal policy with respect to the payment of grants-in-lieu of taxes to municipalities. At the same time, to inform municipalities of the various actions and policies of provincial governments so that they may evaluate the decisions of their own provincial governments with respect to the payment of grants-in-lieu of taxes.

TASK FORCE ON CRIME PREVENTION

A National Philosophy For The Creation of A Stronger, Safer Community Life in Canada

CRIME PREVENTION: AN ISSUE FOR MUNICIPALITES

The prevention of crime in our communities must become a priority in the planning and activities of local authorities. The essence of crime prevention is the fostering of the active involvement of Canadians in maintaining peace and security in their communities.

> Crime cannot be solved by longer prison sentences, by the judiciary or by more police. Its best chance at solution is through an interministry approach, an emphasis on crime prevention, a realization that it is the resonsibility of the whole range of statutory and voluntary agencies and the public themselves.

By its nature, crime prevention must involve every sector of the community, every order of government, every sphere of private enterprise and each and every citizen.

OPTIONS: THE ROLE OF MUNICIPAL GOVERNMENT

As the order of government "closest to the people" with a general responsibility for maintaining peace, order and good government at the local level, Canadian municipalities are rightly interested in all efforts to secure the well-being of their communities. They are particularly well positioned to develop and facilitate innovative means to engage their citizens in programs and activities which will promote law enforcement and crime prevention at the community level.

Many municipalities, especially the larger ones, have taken a variety of initiatives to encourage citizen participation.

Another level of consideration, the role of municipal governments in law enforcement and crime prevention takes on an even greater significance. They can be the vehicle for maintaining a social consensus on the legitimacy of the law.

Laws are simply a community's rules for governing behaviour. For this reason, laws, and the institutions assigned to enforce them, do not guarantee social order in themselves. Rather, it is the willingness of citizens to respect the law and conform their actions to the law, however they may disagree with particular laws,that secures order in the community. While the final recourse of the community is force, it is not the case that order is maintained through the continuous threat of force. Laws are obeyed because people generally regard them as legitimate.

While not being autonomous law-making bodies in their own right, as are the federal and provincial governments and, while being the recipient of the laws of these other orders of government, municipal governments are in a position to encourage respect for the law and a greater sense of individual responsibility. Municipal councils, police departments and other enforcement agencies can be much more than passive instruments for enforcing the law as it is made by other orders of government. They can be the active and creative linkage between law and the citizen, thereby playing a major role in maintaining respect for the law, reinforcing the principle of the rule of law, bringing about changes in the law and allowing citizens to assume greater responsibility for maintaining order in their communities.

Additionally, our municipalities are instrumental in bringing local sensitivity to the enforcement of the law, and in so doing helping promote a national consensus which is essential for the maintenance of law and order in the community as a whole. This is particularly important in a country characterized by cultural diversity, different lifestyle and regional differences.

It is in this context that municipal governments have a major role to play in crime prevention. Many municipalities have recognized this role and have instituted a wide range of innovative policies and programs which have been implemented over the last several years.

MUNICIPALITIES AND THE FEDERAL INITIATIVE

The Federation of Canadian Municipalities welcomes and endorses efforts such as those initiated by the federal Solicitor General to establish a long-term national crime prevention program based on community participation. This should do much to enhance and improve upon local efforts in the promotion of law and order across Canada. These initiatives are welcomed also as a way to encourage public support for "pro-active" policing concepts, making it easier for elected officials in all orders of government to provide the funds necessary for a wide variety of innovative approaches to crime prevention.

The current Ministry of the Solicitor General has been involved in crime prevention for several years. The new initiatives represent an important step forward to give crime prevention a broader basis of community support and involvement, a clearer structure within which to coordinate the efforts within and among the three orders of government and a stronger, more clearly articulated philosophy. While efforts in the past have been primarily directed at and implemented through the efforts of our police forces, now the Ministry would like to see crime prevention efforts include the community and, where appropriate, other groups, government departments and organizations in order to develop a more comprehensive approach to crime prevention.

There is a new appreciation that crime prevention, if it is to be successful, must include concern about factors of a broad social nature. More attention must be given to those matters which affect and contribute to a social environment in which citizens are able to enjoy a decent quality of life, reasonable opportunity to pursue their individual aspirations and a sense of fairness in law enforcement.

From this perspective, crime prevention is viewed as involving much more than the imposition of institutional control and stronger means of law enforcement. While the latter are important they are "reactive" by nature. It is by placing crime prevention in the broader context of social policy that it becomes possible to consider opportunities for "pro-active" approaches to crime prevention.

It is in this context that crime prevention comes to involve more than the implementation of measures to control human behaviour through an expansion and extension of law enforcement activities and/or efforts to strengthen the deterrent function of the law. By placing crime in a social context, it is possible to identify its causes and to develop ways to eliminate or ameliorate the social conditions which encourage criminal activity in the first place. In this way, the idea of prevention takes on a positive meaning and reinforces the importance of community involvement.

Such involvement means that the citizen becomes much more than the extension of law enforcement activities. The citizen assumes responsibility for influencing the development and implementation of local policies designed to encourage respect for the law, and for dealing directly and positively with the root of social causes of criminal activity in the community. In this way the responsibility for securing the conditions for order is returned to the community itself.

The basis of the federal initiative is a conviction that more policies, more equipment, courts and jails are not the solution to the prevention of crime. The emphasis has to be on programs that conribute to the quality of Canadian life, and bring crime prevention considerations into social policy-making areas in such fields as health, education and the economy.

THE MUNICIPAL PERSPECTIVE

The Ministry approach is not new to municipal governments and their law enforcement agencies. In fact, many elected representatives and senior law enforcement officers have pressed strongly over the years for federal leadership of the kind exhibited in the Ministry's new crime prevention initiatives. At the local level, the future of crime prevention, based on community participation, is viewed as very bright and promising.

It has been argued that the next major change in the development of community crime prevention programs will be based on reinforcing the principles of self-help and citizen involvement. There is increasing interest among municipal police departments in reorganizing their activities to use networking techniques to activate existing community groups, public and private institutions and commercial interests. In times of financial restraint, departments are adopting the role of a catalyst with existing groups and organizations. The purpose is to spread the crime prevention message through existing communication channels with the support of community groups.

Elected representatives and senior law enforcement officials also welcome federal leadership in efforts to encourage coordination of governmental activities and decisions both within and among the three orders of government, and between government and various groups and organization in both the voluntary and private sectors.

This new philosophical direction implied in the Ministry's approach is viewed by a number of senior law enforcement officers and elected officials as crucial to the successful implementation of crime prevention programs. It adds an essential dimension to crime prevention which is regarded as long overdue, not only municipally, but in other orders of government as well. The need for a "national statement" to establish a philosophical orientation towards crime prevention is considered a prerequisite for

successful crime prevention programs. A number of individuals have expressed frustration about the lack of commitment to and understanding of "pro-active concepts" in the political realm. It has been orbserved that "This short-sightedness has made it difficult for police to convey the message in terms of adequate financing and endorsement." At the same time, law enforcement officers have been equally critical of the "shortsightedness" that exists with the police community itself.

It has been observed that police managers in some cases have been trying to emphasize crime prevention as an integral approach in police activities but they have been meeting resistance from all levels of the police community. The new initiatives will undoubtedly influence those quarters that are exhibiting resistance, and the whole approach will come to be viewed less as a frill to be lopped off in preliminary budget cutting.

Politically, there is the tendency for elected representatives to give priority to those activities which have a tangible nature in the sense that there is an observable and quantifiable relationship between money spent and concrete actions, resources and results. Value for money is measured on the basis of the number of policemen on the beat, the number of patrol cars on the street, the number of cases solved, the number of criminals caught and so on.

What makes a program politically acceptable and justifiable is results that can be seen and quantified. This is understandable and an important element in assessing the value of a program(s). It also conforms with the way in which many law officers evaluate the worth and effectiveness of their activities, and assess the value of crime prevention efforts. Political and professional needs and expectations coalesce at this level, and conform with the public's sense of what justifies public expenditures. Nevertheless, this is only one aspect of crime prevention.

The less tangible, and largely non-quantifiable aspects of "pro-active concepts" in the social policy area are not as easy to justify politically, nor are they readily

understood or supported by many law enforcement officers. Even so, these concepts are an essential ingredient of crime prevention, especially with regard to the creation of a social environment which addresses the causes of crime and nurtures a respect for the law.

It is precisely for the above reason that the kind of philosophical direction exhibited by the current Solicitor General is regarded as an important step forward. It is hoped that such leadership will assist in generating commitment to and support for crime prevention on the basis of greater knowledge and understanding among elected representatives, law enforcement officers and citizens, of those actions and decisions which, while not easily quantified, are essential for creating a social environment conducive to peace and security for all citizens.

RECOMMENDATIONS

In light of the foregoing, the Task Force on Crime Prevention recommends that the FCM:

1. endorse those federal programs which promote community involvement in crime prevention and, specifically, support the federal ministry of the Solicitor General's Crime Prevention Week and Awards Program;

2. continue to be represented on the federal Solicitor General's Advisory Committee on Crime Prevention and Canadians for Crime Prevention Committee;

3. assist in the development of a national program for deterring crime based on the involvement of the three orders of government, the private sector, voluntary groups and organizations and citizens;

4. appoint members of its National Board of Directors to act as liaison with the Solicitor General's Department with each province and territory having one representative;

5. delegate responsibility for consultative activities with national law enforcement organizations to the FCM Task Force on Crime Prevention, and that such consultations include the Canadian Association of Chiefs of Police and Police Associations;

6. work with national organizations having an interest in and a commitment to crime prevention; for example, Canadian Association for the Prevention of Crime, Canadian Bar Association, Canadian Labour Congress, Canadian Chamber of Commerce;

7. work with various national social agencies, native groups, churches and faith groups, and professional associations active in criminal justice and crime prevention matters; for example, Canadian Association for the Mentally Retarded, Canadian Association of Elizabeth Fry Societies, Canadian Association of Native Court Workers, Canadian Council of Juvenile and Family Court Judges, Church Council of Justice and corrections, Salvation Army, John Howard Society of Canada;

8. publicize and promote the importance of crime prevention and the role of municipal governments and law enforcement agencies in crime prevention programs based on community participations;

9. provide assistance with advice to federal, provincial and municipal governments in the development, coordination and implementation of crime prevention policies and programs;

10. develop and maintain an information book of crime prevention policies and programs that have been implemented both in Canada and other countries;

11. disseminate information about crime prevention policies and programs;

12. publicize and promote the importance of "pro-active" policing concepts and the development of social policy at the municipal level, for the success of crime prevention programs;

13. promote awareness among elected officials in all orders of government on the importance of crime prevention activities and programs of the federal and provincial governments as well as municipal police departments and other agencies;

14. encourage the interest and support of the private sector in crime prevention programs in light of benefits with respect to both economic and corporate image.

TASK FORCE ON ENERGY CONSERVATION

INTRODUCTION

Although energy conservation is not as fashionable today as it was four years ago, energy-efficient municipal operations and an energy-efficient society should continue to be among Canada's priorities.

THE ISSUES

Direct energy costs, chiefly for transportation, heating buildings, and street lighting, constitute in the order of 5% of municipal expenditures. Indirect energy costs, as a component of general prices, extend the impact. Energy costs of all kinds are still rising faster than the inflation rate. International oil prices set the pace, and these are vulnerable to unpredictable politics and strife -such as those, for example, that could close the Strait of Hormuz and prevent oil exports from the Persian Gulf states. A lean energy economy reduces the vulnerability. Squeezing every penny of value from municipal tax dollars is especially important in the face of today's provincial cut-backs. Energy conservation can help with the squeezing.

Because most of Canada's energy use takes place on roads under municipal jurisdiction, and in buildings subject to structural standards enforced by municipal officials, municipalities have the potential to impact powerfully on many aspects of energy use. Also electricity is the form of energy whose use is increasing most rapidly. A large part of this energy is provided through municipal utilities. Garbage - largely a municipal responsibility - seems increasingly attractive as a source of energy. (Britain began importing garbage from the Netherlands for this purpose recently.) Thus, Canada's municipalities are in the energy use business whether they realize it or not.

More than many other matters of potential municipal interest, energy production and use is of federal government concern, although some provincial governments have shown a deep interest in energy conservation and, in particular, in the role of municipalities in achieving reduced energy use. Because energy conservation is, for the most

part, an uncontroversial national priority, direct municipal-federal relationships in this area can be relatively uncomplicated. Hence, the FCM could, with proper consultation, provide a useful coordinating and stimulating role in this area at a national level.

Municipalities tend to have a natural bias in energy matters that deserves forceful expression. It is that energy imbalances can best be redressed by reducing consumption rather than by increasing supply. Municipalities are more likely to want to advocate federal grants to make buildings more efficient than grants to facilitate oil exploration because energy conservation grants create jobs in towns and cities, and they upgrade the urban fabric. The FCM can play an important role in energy debates by making the municipalities' case for energy conservation.

THE OPTIONS

Consistent with the above, the FCM should give serious consideration to each of the following possibilities:

1. developing a national energy conservation information exchange for municipalities;

2. publishing a quarterly energy conservation newsletter;

3. assuming responsibility for the annual Cities Energy Conference;

4. developing a close relationship with federal ministries and agencies responsible for energy-related matters;

5. hiring a national municipal energy coordinator to carry out the above activities;

6. seeking a federal grant to pay for the coordinator and for the implementation of the above activities.

With respect to the above, at the 1984 Cities Energy Conference discussion took place and the following suggestions were made:

a) that the Federation of Canadian Municipalities manage an energy conservation newsletter and become a focal point for information exchange between municipalitis across Canada.

b) that the Federation of Canadian Municipalities assist municipalities in the planning of future cities energy conferences.

RECOMMENDATIONS

Accordingly, the Task Force on Energy Conservation recommends that the FCM:

1. should become a leader at the national level in the matter of municipal involvement in energy conservation;

2. indicate that it would assist with the management of future Cities Energy Conferences, and that subject to securing appropriate funding, it would undertake to manage an energy conservation newsletter and become a focal point for information exchange between municipalities across Canada.

TASK FORCE ON ARTS, CULTURE AND HERITAGE

INTRODUCTION

The municipal role in the arts, culture and heritage is an interweaving of both responsibility and opportunity. It is a responsibility in that, as an important link in the Canadian complex of government, municipalities are in a position to play an important role in the preservation and development of Canadian culture. It has rewards in that a sound policy of cultural support can bring municipalities not only social advantages, but direct and indirect economic benefits.

THE ISSUES AND POSSIBILITIES IN CULTURE AND HERITAGE

The strength of Canada's culture rests on diversity; respect for differences based on ethnic, geographic, economic, social and other factors. It is based, primarily, on regional differences which municipalities, by their nature, can understand and respond to more sensitively than other orders of government which have a much wider geographic base. While these other governments may have more flexible resources from which to provide umbrella support to culture and conservation, municipalities can often give encourgement and assistance with little or no financial outlay. For example, the vital start of a performing arts group may be fostered by imaginative means, such as the provision of municipal space or an arts loan fund, before it has acquired the reputation to support an application for financial assistance from any other order of government. The decision to preserve the architectural heritage of a downtown area can best be determined municipally with costs and benefits readily determined and understood.

If municipalities are to be true partners in the governing of Canada, they cannot disregard or minimize the importance of their role in enhancing Canadian arts, culture and heritage.

Municipalities have a responsibility to support the arts, culture and heritage conservation because Canadians have grown accustomed to such amenities. Support may take the form of technical assistance, space allotment, counselling and, in

general, a fostering of a climate for cultural development and growth. Fifty years ago, no one could have assumed that municipalities would provide local arenas, pools and other recreational facilities, but in most cities and smaller communities, they have become essential services for most residents. Today, facilities for the performing and visual arts, as well as active policies for conserving a community's heritage, are increasingly in public demand. Canadians are now spending more entertainment dollars on culture than for sport. Municipal leaders are responding to the evolving interests of the electorate.

Some municipalities have been fortunate enough to have cultural or heritage assets of national importance. No one would question the economic returns through job creation, spin-off industries and, of course, tourism. It does not take a Stratford or a Quebec City to yield such rewards: they are simply extreme examples of where large investments in culture and heritage have yielded large returns. Certainly many other communities, perhaps less visible or dramatic, have found that any investment in culture brings commensurate dividends in return.

Tourism is the most visible economic reward. It does not require a theatre of international renown or a famous historic site to attract tourist dollars. A thriving local theatre or gallery, an annual folk or historic festival can be a major factor in attracting tourist dollars to a region. Often we find the newest industrial plant and shopping centre given prominence in municipal promotional material, while culture and the arts are scarcely mentioned. Tourist literature should not lag far behind changing societal tastes, especially in relation to culture and conservation.

People seem to associate "tourism" with family travel: across Canada, abroad or between major centres. Tourism need not be associated with the notion of a fixed destination. It may simply mean that a family, on vacation, decides one afternoon that they will move on to another place for the next night. It may involve a one-day or

weekend outing just for the escape from day-to-day living. In places of comparable size, one shopping centre or motel may look the same as the next, thus it is the cultural amenities which attract interest and, in turn, tourist dollars. A town may not have a museum, a gallery or theatre to visit, but it has, for example, a restored main street or an interesting Victorian residential neighbourhood, it has created a tourist attraction because that town is now more interesting, stimulating, photographic and certainly unique.

"Cultural industry" is a relatively new term, and culture, per se, is a new growth industry. The term comes in recognition of the fact that culture has become an industry worth $7 billion annually, if one includes book and magazine publishing and television as part of the industry. A municipality is more likely to get its fair share of that investment by building on its own cultural resources rather than by concentrating so heavily on attracting industry from outside the community. Department of Communications' statistics have indicated that culture is one of Canada's most labour-intensive industries, one which is not likely to face dramatic employment dislocation through the introduction of advanced technology (e.g. computerization or robotics). As well, benefits from cultural industries are distributed widely to other service industries.

Heritage conservation has probably the most identifiable and substantial economic and social pay-offs. The recycling of old buildings for modern commercial, professional, industrial and residential uses rarely places hidden charges on municipalities as new high-rise construction sometimes does. Like with new development, new tax revenues are generated. It solves, rather than creates problems associated with downtown blight, and, because conservation efforts are more labour intensive than new construction, employment is increased. All in all, the dividends seem considerable.

The final dividend, however, and by far the greatest: the visual assets which contribute to the quality of life in a community and encourage dollar-spending visitors. Canadian examples are too numerous to list, but some familiar to many are

Gastown in Vancouver, the warehouse district in Winnipeg, Front Street East in Toronto, the market area in Ottawa, the City of Quebec's Fort Royale and the Halifax Waterfront. A host of conservation projects in smaller cities and towns such as Main Street in Unionville, Ontario demonstrate that heritage conservation is not restricted to the very large cities in Canada.

Municipalities do not necessarily require historic sites or very old buildings to reap the rewards of heritage conservation. San Francisco, one of the most successful U.S. cities in building its tourist attractions on heritage conservation, has almost no architecture dating prior to the earthquake of 1906. In community after community, conservation based on imagination and quality, rather than age, has helped change areas from blight and decay into communal vitality and profit.

Heritage conservation projects, aside from the employment created through redevelopment, support a continuing retail trade whose value to tourism is usually underestimated: antiques, liquor, food and restaurants are everywhere, but municipalities which also have antique dealers markets draw tourists like moths to a flame.

RECOMMENDATIONS

The role of municipalities in the arts, culture and conservation is in urgent need of review. The responsibilities in this area have become apparent as municipalities assess their place in the Canadian partnership. The economic rewards are constantly increasing.

Municipalities must recognize and respond to changing public tastes, and give a stronger emphasis to cultural and conservation activities.

It is recommended by the Task Force on Arts, Culture and Heritage that the FCM:

1. collect, compile and distribute to its members information on the opportunities to promote culture and heritage conservation in Canadian communities;

2. encourage the federal and provincial governments to expand their incentives and safeguards for the preservation and renovation of heritage buildings;

3. encourage the federal and provincial governments to take advantage of the role that municipalities can play in partnership with those governments in administering programmes and projects aimed at assessing the impact of initiatives and promoting culture and heritage conservation at the local level;

4. foster continuing exchanges with major cultural and heritage organizations to utilize their resources to help define and develop an effective municipal role in the areas of culture and heritage;

5. encourage all Canadian municipalities to recognize the need for sustained funding for some cultural industries (ie. symphonies, community theatres); and

6. make known to its members a variety of creative methods for financing cultural industries.

TASK FORCE ON MUNICIPAL LABOUR RELATIONS

INTRODUCTION

The Federation of Canadian Municipalities has a role in utilizing its resources in enhancing the effectiveness of labour relations and initiatives in the municipal field. An aim of the Federation is to improve the labour relations climate at the municipal level and, at the same time, to enhance the abilities of elected officials to respond appropriately to the complex demands of labour relations and negotiations.

Acting as the national voice for the elected officials of municipalities across Canada, the FCM can make a contribution by

(a) focussing on upgrading the information systems available to municipal officials in the labour relations field,

(b) promoting the training of municipal negotiators and elected officials in the municipal labour relations through workshops and seminars, and

(c) providing a forum for the discussion of local government strategies in municipal collective bargaining.

THE ISSUES AND THE OPTIONS

CLEARINGHOUSE FOR LABOUR INFORMATION

In the area of information dissemination, there does not currently exist one central clearinghouse for information relating to municipal labour relations. As a result, municipal elected officials may be placed at a disadvantage in their negotiations with labour union officials who are better able to access data from across Canada.

The Federation of Canadian Municipalities should be in a position to act as the major focal point for the clearing of information related to municipal labour relations. Given the availability of resources and the abundance of information stored in electronic data banks throughout Canada, the FCM should, with the support of provincial

associations, secure access to up-to-date information on municipal labour relations. This should include the establishment of a central reference data bank with access to provincial and federal legislation, copies of municipal associations reactions to proposed legislation, information relating to key arbitration board decisions, court decisions, human rights legislation and other documents referring to aspects of labour relations.

The purpose of such a reference data base would be to provide member municipalities with access to current and comprehensive labour relations data. This service could be coordinated through the various provincial associations which could be provided with access to the whole range of information available through the FCM head office. Coordination of this role with the provincial associations is vital if we are to ensure that we avoid duplication.

LABOUR EDUCATION ASSISTANCE

In addition to information dissemination, the FCM has a role to play in educating elected municipal officials in labour relations. The regular turnover of officials and the inadequacy of local municipal labour relations expertise have combined to render many officials at a disadvantage with thoroughly trained and experienced labour negotiators acting on behalf of the unions. This is particularly so in mid-sized to small municipalities.

In contrast to the wide variety of local labour relations skills which exist across the Canadian municipal scene, Labour Canada has funded the Labour Relations Financial Assistance Program in excess of $30 million dollars. These funds, which are used in part for the training of union officials in collective bargaining, are distributed among individual members, independent union and six central organizations.

The FCM does not dispute the need for training of union officials. We do, however, recognize the same requirement on the management side for elected officials who must be aware of

recent developments and trends in order to conduct effective negotiations.

The need for better training of appointed officials supporting municipal negotiations in the field of labour relations is recognized as well. The federal government and provincial governments are well equipped by way of professional and information resources to undertake collective bargaining with at least as much expertise, knowledge and capability as the public sector unions.

In stark contrast, the majority of Canadian municipalities (particularly those under 25,000 population) are poorly equipped to respond effectively to public sector unions. These municipalties have very poor access to information and often inadequately trained appointed officials who must represent or assist in representing a municipality. The result is often unreasonable settlements which become the bench mark for other municipalities.

Training through the FCM, provincial associations and professional administrative associations (for example, CAMA, CMPA) would improve current status. This training could be funded,at least in part, by the federal government, through a program similar to their Labour Education Financial Program for union officials.

LOCAL GOVERNMENT AUTONOMY

There are a number of principles that the FCM wishes to support in the development of a position on municipal labour relations. The first relates to local government autonomy. The FCM supports the local autonomy of municipalities. It will resist, at the request of its members any action by provincial or federal governments which would require municipalities (without their consent) to bargain in regions of like employers or to bargain in conjunction with other employers.

The FCM would object strongly as an erosion of local government autonomy to any attempt for a government to create, through policy, through legislation, or through simple practice, a

mechanism which would require municipalities (against the expressed desire of a majority of municipalities in the affected area) to negotiate one common agreement with other like municipalities in the region.

CHANGES TO BARGAINING UNITS

Moreover, the FCM feels strongly that there is a need to support employee freedom of association.

Employees engaged in separate departments of municipalities must be given the opportunity to determine for themselves whether they constitute a separate unit for the sake of collective bargaining. Those having experience with municipal government recognize that there are many departments and services in local government and the procedures at present require, in many cases, fragmentation where there is no "community of interest" from a bargaining point of view.

We believe that it is fundamental that the "community of interest" criteria as applied to the particular organizational cultures of individual municipalities is still the best way to guarantee this freedom.

CONTRACT NEGOTIATION STRATEGIES

There is a role for the FCM to play in developing a mechanism whereby reasonable strategies for major labour issues could evolve informally. There is a need to provide a mechanism, however, informal, for all municipalities so that local governments do not impinge on the ability of others to negotiate reasonable settlements in their own areas.

Municipalities have experienced the problem that some unions have used the settlements on wages and benefits negotiated in other parts of Canada to support their demands on local basis. This "leapfrog" effect has caused abnormal settlements in each region of Canada which may be intensified over several successive years of continuing practice.

Representatives of the Canadian Association of Municipal Administrators (CAMA) and the Canadian Municipal Personnel Association (CMPA) believe that informal meetings on a regional basis between the Mayor (Reeve), CAO and perhaps the Personnel Officer in each municipality could have a beneficial effect in developing strategies and exchanging information for dealing with this situation.

These strategies would be informal understandings on such key issues as salaries, major benefit changes and overall target approaches. The resulting information would be made available to all regional communities and through the FCM head office on a national basis or from the FCM via the provincial associations to those municipalities requesting this information.

The strategies which evolve would be of a "consensus" nature and flexible in order to recognize fully local conditions and the desire of elected officials for protecting local autonomy.

RECOMMENDATIONS

The Task Force on Labour Relations recommends that the FCM:

1. endeavour to use its resources in enhancing the effectiveness of labour relations programs and initiatives in the municipal field;

2. recognize that it has a responsibility to act as a clearinghouse for information related to labour relations and, in cooperation with provincial associations, should work to establish an electronic reference data base to secure access to information across Canada which is stored in data banks;

3. work to secure access to existing data banks which contain important information related to labour relations;

4. recognize and support the importance of well-qualified elected municipal officials and support their training and education in

the field of labour and use its resources to lobby actively the federal government to provide education and training funding;

5. recognize and support the importance of well qualified, appointed municipal officials and support their training and education in the field of labour and use its resources to lobby actively the federal government to provide education and training funding;

6. support the principle of local autonomy and resist on behalf of its members any action by provincial or federal governments which would require municipalities to bargain in regions of like employers unless the consent of a majority of parties involved is received;

7. support the long-held and practiced tradition of employees bargaining direct with their employers through clearly defined and approved bargaining units;

8. support, where practical and acceptable to its members, the development of informal contract negotiations strategies on a regional basis, as long as these strategies do not interfere with the principle of local autonomy.

TASK FORCE ON SMALL AND RURAL CHALLENGES AND OPPORTUNITIES

INTRODUCTION

Notwithstanding the 1981 Census that foreshadows a rise in rural population, Canada, like other developing countries in this century, has been characterized by the growth and development of large cities and metropolitan centres. Population has become increasingly concentrated in a few geographical areas which are perceived to be the principal foci of the country's cultural, financial, economic and social activities. For some, this représents an inevitable process of urbanization. Areas that possess natural economic advantages have attracted private investment and the largesse of public investment from governments. This has been accompanied by extraordinarily rapid technological change which, in turn has brought about an equally dramatic transformation in traditional ways of carrying out various types of economic activity, particularly in the agricultural sector. These factors, combined with increasingly sophisticated means of communication and transportation, have led to the demise and stagnation of many small and rural communities across Canada. This trend continues today.

SMALL AND RURAL MUNICIPALITIES: THE ISSUES TODAY

Although there are identifiable differences between the quality of life and life styles of those who live in large urban centres and those who live in small and medium-sized communities, the essence of community life is not so different. Smaller communities are as urbanized as larger centres, if urbanization is taken to refer to the contemporary nature of community living. For this reason, it is difficult to explain urbanization simply as a process which reflects the desires of people to live in large urban centres. It is perhaps more reasonable to argue that the growth and development of cities is a result of larger economic factors. It is the city which has the financial capability to develop the infrastructure required to accomodate various types of industry and manufacturing concerns. It is the city,

particularly its central core, which offers various investment institutions the opportunity for profitable returns on real estate investment. It is the city which provides a large workforce for both public and private sector needs. The list goes on, but the point is clear: urban centres have great economic importance. This is important to understand in order to put the future of small and medium-sized communities into a realistic perspective.

It is assumed by some commentators that urbanization will continue its course until the vast majority of Canadians will be living in very few urban centres. From this perspective, the future of many smaller municipalities is bleak. However, despite the strategically important role of cities in the modern economy, it would be wrong to assume that the uncertain future of small and rural municipalities reflects an inevitability brought about by natural economic forces. The uncertainty is due more to the failure of governments at all levels to make Canada's growth and development a matter of deliberate public policy, rather than political expediency and ad hoc decision-making. To argue otherwise is to ignore that small and rural municipalities have their own economic importance, essential governmental functions to perform, a significant role to play in providing Canadians with an alternative way of life to that of the larger urban centre, and a special place in Canada's cultural and social heritage.

COMPETITION AND DEPENDENCY

Small, medium-sized and rural municipalities are caught in a web of competition for public and private investment. They compete with each other and with larger municipalities, the latter having an immense advantage with respect to both resources and their generally greater municipal autonomy, seeing in such proposals a furthering weakening of their competitive positions for private investment, and ability to obtain assistance from the other orders of government.

Under the circumstances, it is understandable why some small, medium-sized and rural municipalities regard the big cities as having interests quite different from their own, and why many of them view proposals to give municipalities more autonomy, including constitutional recognition, with concern. Despite their own lack of autonomy and state of dependency, smaller municipalities experience a greater sense of security than they believe would be the case if the larger municipalities had greater financial and legislative autonomy. Even so, this sense of security is not accomplished by any degree of certainty about the future. Indeed, there can be no such certainty in a situation of dependency and competition, and absence of clear federal and provincial policies and commitments.

UNCERTAINTY

Canada's future has become uncertain and the subject of much searching discussion and examination. And, once again, municipalities, large and small are pointing to the need for intergovernmental consultations among Canada's three orders of government, and a greater sense of partnership between and among governments, and between the public and private sectors.

Small, rural and medium-sized municipalities are in a position of dependency, but do not have the same degree of certainty about their futures as do larger municipalities. Economic changes, and changes in the policies of the other orders of government, may jeopardize their very existence, or at least leave the future very uncertain. Small communities of a few hundred or thousand people may, and do, disappear without much expression of public concern.

Those smaller municipalities located in the hinterland areas of Canada are faced with uncertainty. Increasingly, the economic reasons for their existence have disappeared with rapid technological change and resultant changes in government policies designed to secure Canada's competitive position in the world economy. Changes, for example, to Canada's transportation policies, including rail routes and freight rates, have had a profound impact on the economies of

small and rural municipalities. Such changes are justified on the grounds that Canada must have an effective and efficient system to transport its products to markets.

VARIATIONS

Although the vulnerability of small, rural and medium-sized municipalities is greater than that of larger municipalities, they are faced with the possibility of imminent or eventual demise. Their situations differ from one province to another, and within regions of individual provinces. Economic factors and locations determine, in large measure, the health and vitality of smaller communities. Those communities located in provinces with highly diversified economies enjoy opportunities which their counterparts in resource-based provincial economies do not, as well as a greater capacity to struggle through difficult economic times. Those communities which have a diversified local economy are much better off than those which are one-industry towns. Those which are located in close proximity to large urban centres have a more secure future as bedroom or satellite communities, than those in the hinterland whose raison d'être may come increasingly into question with economic and technological change.

FEDERAL AND PROVINCIAL INVOLVEMENT

Despite rational economic explanations for the growth and development of larger municipalities, and despite justification for allowing private sector decisions to determine where it is most profitable to invest, governments are concerned about what a continuation of current trends may mean for the future. More especially, both federal and provincial governments should be concerned about the financial implications of their having to underwrite the costs of maintaining, upgrading and expanding municipal infrastructures to accommodate further growth and development in larger centres. These costs become greater if account is taken of the underutilized and foregone infrastructure capabilities of small and medium-sized municipalities.

There is, however, concern about the importance of smaller municipalities in key sectors of the Canadian economy. Their role in the agricultural sector and the development of Canada's tourist industry, for example, cannot be ignored. Neither is it possible to ignore the importance of smaller municipalities for the well-being of Canadians. The evidence is clear, as reflected in the 1982 Census, that many Canadians are choosing to retire to smaller communities. Not only does this call into question the assumption that life in larger centres is the first preference of all those that live in them, but carries implications for both larger and smaller municipalities as the number of elderly grows in proportion to the rest of the population. As well, it is recognized that the concentration of economic activity and population produces problems the costs of which outweigh the benefits of such concentration. For example, various forms of environmental pollution and loss of prime agricultural land to urban purposes are the object of growing public concern.

The competitive nature of municipal relations makes provincial governments extemely careful to ensure that their policies and programs do not appear to give unfair advantage to one or more of their municipalities. Smaller municipalities often insist that provincial decisions do not entail preferential treatment for one of their competitors. Indeed, this competition for public investment, is the major problem for provincial governments which wish to implement regional development programs based on the identification of growth centres.

However, there is evidence to suggest that federal and provincial governments are prepared to pursue economic decentralization. Although no province has a comprehensive policy with respect to the pattern and nature of growth and development within its borders, several provinces have generally stated commitments to decentralization. Furthermore, some provinces have introduced measures to encourage municipalities to engage in cooperative activities in regional planning and economic development. As well, certain provinces provide various forms of assistance to aid municipalities in the development of their administrative and planning capabilities. Such

initiatives suggest that provincial governments are well aware of and concerned about the negative consequences of unbalanced growth and development. At the same time, they are sufficiently sensitive to political and pragmatic considerations not to wish to limit their options by developing clear public policy on the distribution of growth and development.

It should also be noted that the federal government has a long-standing commitment to economic decentralization through such instrumentalities as the Economic Regional Development Agreement Program of the Department of Regional Industrial Expansion.

Thus, despite the lack of clear provincial policies, and what some consider to be the questionable worth of federal efforts, the fact that these two orders of government have shown a willingness to assist smaller and medium-sized municipalities, appears to place the latter in a position to take some concrete initiatives of their own to secure their futures.

OPTIONS: THE CHALLENGES/THE OPPORTUNITIES

THE CHALLENGES

The future for smaller municipalities does not have to be as bleak as some would suggest. By taking a more self-assertive approach, they have the potential to turn events in their favour, and to create opportunities for themselves. They do not have to submit to what some commentators perceive to be the inevitability of concentrated urbanization. In addition, there are other factors that can work to their benefit. By cooperating, for instance, with suburban municipalities, and those which have become closer to a major centre through the extension of modern transportation and communication systems, municipalities can develop regional approaches to economic development which will give the larger urban centres greater political and economic leverage in planning their own affairs, while creating similar opportunities for those smaller municipalities within its sphere of influence.

In addition, it seems likely that technological innovation in two fields. transportation and communication will be those more likely to affect the small community. Improvements in these two fields have a great potential to better the situation of the small community by tying it more closely to the various services offered only by the large urban centres (e.g., education television) and providing easier access. On the other hand, too close a tie endangers the individuality of the small town or community a factor which is difficult to quantify but, nevertheless, is an important consideration to many people.

In any case, the following conclusions seem likely:

1. The management and manipulation of information will be key to the small community's viability in the future. The increasing dissemination of information will enable small community managers and planners to be much more aware of techniques, programs, seminars, conferences, etc. than ever before. Consequently, the opportunity for professional development will increase. Community managers will become the new technologists within the municipal sphere, causing greater demands upon politicians to keep abreast of current techniques, the availability of information, etc.

2. Transportation and communications innovations will serve to strengthen the linkage between smaller communities and larger urban areas for selected goods and services.

3. Specific transportation technologies will act to alter the relative accessibility of communities, and be reflected in the structure of freight rates. This may well act as a stimulus or deterrent, depending upon the specific situation of the town, to continued economic stability in specific towns, although it is virtually impossible at the present time to predict these specific technologies or their effects.

4. A closer tie to the large metropolitan centres through improved transportation and communication linkages may imply a greater levelling or homogenization of small communities and metropolitan areas. This effect could promote a homogenization of value systems as well, and could well spell significant stress in smaller communities as big city values are adopted. The management of this stress will put further demands upon municipal managers and politicians.

With respect to efforts by provincial and federal governments to decentralize growth and development, there are concerns about how such efforts will impact on many smaller municipalities. The identification of growth centres in regions may affect negatively those municipalities which are not so identified. In addition, federal initiatives to deal with regional economic disparities are also likely to have negative consequences for smaller municipalities.

THE OPPORTUNITIES

Uncertainty is the key element in the future of small, rural and medium-sized communities. There are many reasons for this. They include: absence of national urban policy, the absence of clear federal and provincial policies with respect to decentralization and regional development, the failure on the part of federal and provincial governments to coordinate their policies and programs, the reluctance of federal and provincial governments to enter into intergovernmental consultations with municipal governments, the intellectual tendency to view urbanization as an inevitable process rather than the product of human decisions and actions, the failure on the part of federal and provincial governments to analyze, anticipate, and monitor the consequences of their policies and programs for municipalities, the competition among municipalities for public and private investment, the apparent necessity for federal and provincial governments to subordinate the development of long-term policies to the changing world economy,

and the seeming reluctance of smaller municipalities to make those types of changes and investments which will allow them to develop their potential and create a future for themselves.

It may be argued that smaller municipalities cannot afford to wait for other orders of government to develop policies which will clarify the future for them. It may also be argued that smaller municipalities cannot afford to submit to a mentality of dependency in relation to the other orders of government. Neither should they assume that the future is beyond their control and influence.

Those smaller and medium-sized municipalities which are prepared to accept responsibility for their affairs and to make appropriate investments in their futures, are more likely to survive and prosper than those which do not. This may be self-evident. However, it is not necessarily the case that smaller municipalities are adopting a more self-assertive approach to their affairs. Some have, and with great success. Others are reluctant to make the kinds of commitments required to secure their positions in a rapidly changing world.

These commitments appear to depend, in large part, on strong political and administrative leadership, and planning capabilities. Reluctance is frequently associated with the limited financial resources of the smaller community. It is observed that the smaller community is often not in a position financially to employ the personnel and acquire the resources necessary to put it on a stronger footing with respect to attracting private investment, exploiting to the fullest the policies and programs of the other orders of government, and making better use of its existing resources. Of course, those communities struggling for survival may wish to consider whether they can afford not to make such investments. Reluctance may also be caused by uncertainty resulting from the unpredictable nature of provincial and federal policies and programs, and changing economic conditions. Some communities are unprepared to make investments in the fear that they may turn out to be futile and an added burden on their already

strained resources. Once again, the question on this point appears to centre on a municipality's willingness to employ people equipped to provide professional assessments of its potential and opportunities, and to support aggressive leadership from its elected representatives.

Apart from the above, smaller municipalities often have problems obtaining information about federal and provincial policies and programs, and understanding such information when they get it. In part, this may reflect administrative and professional deficiencies, however, there is evidence to suggest that the other orders of government could be far more helpful in this regard. Further, problems are encountered when it is determined that policies and programs do not encompass smaller municipalities, or fail to be flexible enough to take account of their particular needs and circumstances, or involve requirements that they cannot meet. In this area, it would appear that smaller municipalities require strong representation of their interests through their municipal associations.

RECOMMENDATIONS

In light of the above, it is the recommendation of the FCM Task Force on Small and Rural Challenges and Opportunities that the FCM:

1. encourage small and rural municipalities to adopt a self-help approach to their futures and opportunities for growth and development;

2. include in its publications, research activities, policy development and communications with the federal government, an appreciation of and initiatives with respect to the needs, interests, activities and importance of Canada's smaller municipalities;

3. provide a focus through its communications and other activities that will assist, small, medium-sized and rural members in developing their administrative and planning capabilities;

4. encourage the federal government to:

   a) develop a national policy framework within which to coordinate the programs of its various departments where they are aimed at or impact on the municipal interests of small and rural municipalities specifically;

   b) discontinue the practice of terminating programs in mid-stream;

   c) include input from individual municipalities in federal planning, development, implementation and evaluation of municipal programs relevant to small and rural municipalities;

   d) provide briefings and information regularly for municipalities on current and new programs that have relevance to small and rural municipalities;

   e) ensure that all municipalities are adequately equipped in terms of financial and management capacity to participate in joint programs;

5. urge the federal government to recognize the Federation of Canadian Municipalities as the voice of small and rural municipalities in Canada and in consultation with the FCM to:

   a) assess the consequences of changes to federal policies and programs for small and rural municipalities, including not only those policies and programs which impact directly on municipalities, but also monetary, fiscal, and economic policies, as well as policies in the areas of transportation, communication and housing;

   b) to monitor the consequences of federal policies and programs which impact directly or indirectly on small and rural municipalities, particularly policies with respect to the development of a national

transportation system, regional projects under the Economic Regional Development Agreement (ERDA), and housing policies to ensure that small municipalities are able to participate in and benefit from all federal programs;

6. work with provincial and territorial associations in representing the broader interests of small and rural municipalities across Canada in intergovernmental consultations, and interprovincial areas of concern;

7. lend its support and collaboration to provincial and territorial associations to urge provincial and territorial governments to:

   a) assist small municipalities to examine critically the role of planning in their communities, as well as the community planning process itself;

   b) augment their municipal management and training program;

   c) expand their municipal affairs resources in the areas of policies and programs for small municipalities. The two main areas of activity in this regard are:

      i) management training and education for personnel, and

      ii) provision of community planning advisory personnel;

   d) adopt and publicize targets for upgrading management and planning capabilities in their small municipalities;

   e) examine opportunities for developing guidelines and applying selected (minimum) standards for management and planning resources and practices;

f) assist small and rural municipalities in the preparation of an economic development program;

g) emphasize cooperative economic development activities and efforts between municipalities, and provide supporting funds and advisory services on that basis;

h) coordinate community planning activities, and changes to the municipal tax system to encourage cooperation and economic development;

i) prepare and disseminate broad statements of policy relating to the role and development of small and rural municipalities;

j) prepare overall regional settlement plans and development programs to assist small and rural municipalities to manage their own development within an explicit government policy context of the provincial and territorial governments;

k) provide community planning advisory personnel to assist municipalities in the preparation of development plans and, no less important, to assist them in the management of day-to-day development control issues;

l) fulfill commitments under any municipal program and discourage the practice of discontinuing programs in mid-stream;

m) include in the development and implementation of infrastructure programs assessments of the needs of small and rural municipalities, and appropriate levels of financial assistance to them;

n) analyze changing demographic trends, attitudes and expectations, in an effort to anticipate what these changes will mean for smaller and rural municipalities, and examine traditional assumptions about the inevitability of population concentration in urban centres.

SECTION B
PROGRAMS

TASK FORCE ON MUNICIPAL TECHNOLOGY

MANDATE

The Task Force on Municipal Technology was established to consider the opportunities and challenges emerging in computer technology which could assist municipalities in a wide variety of functions from policy and planning to day-to-day administration. Electronic data bases exist throughout Canada and around the world, but in the area of local government in Canada, for the most part, we rely on manual systems such as the Intergovernmental Committee on Urban and Regional Research (ICURR) for access to information. Considering the needs of municipal governments in Canada and the search for information which goes on everyday, and one must conclude that the potential benefits to be gained through securing access to existing electronic data banks are considerable.

TERMS OF REFERENCE

A year ago, the Task Force reported that it was concentrating on the possibility of linking Canadian municipalities into established U.S. information systems and data bases by computer. Specifically, investigations focussed on LOGIN and Public Technologies Incorporated (PTI), two firms specializing in the urban information field, which access into different data bases on behalf of clients on a user fee basis. Problems were uncovered, however, which severely limited the benefits which could have accrued to our municipal members. Differences in operating procedures and legislative requirements between the U.S. and Canada would have worked to reduce the effectiveness of such a program for Canadian municipalities.

The Need for Information

In Canada, detailed information can be made available on almost any subject. Electronic data bases can be instantly retrieved by any researcher through the use of computers to search for and compile information. Such tasks can be performed manually, but are often slow, and cause frustration. Requesting information can often eliminate or reduce the possibility of making a costly error, an error which might cost a municipality thousands of dollars.

The Task Force believes that there is a need for an effective, useful and desirable information retrieval system for all FCM member municipalities. Recognizing that there is substantial and diverse information available, the Task Force maintains that our members would be greatly served by securing access to such information on a fast, simple retrieval basis. As well, the FCM would be providing a communications system which would assist our members locate information which is not readily available.

The kinds of information which could be made available through such a system include economic profiles of municipalities, bibliographic reference services, labour relations data, municipal by-laws, data on goods and services and inventories of federal and provincial programs available to local goverments. The system could also provide electronic mail services between and among local governments.

REQUEST FOR PROGRAM

The Task Force on Municipal Technology is requesting the establishment of a program to develop a reference data base incorporating a directory and profile of member municipalities offering basic information through access to both public and private data banks. The FCM, in cooperation with the provincial municipal associations, should begin negotiating with federal and provincial governments, academia, and other private and public organizations, to secure cooperation and complete reciprocal arrangements with regard to access to information.

If implemented, this program will enable the FCM to act as an automated clearing house accessing information from widespread sources for its members, while guaranteeing the integrity of accessible data bases.

RECOMMENDATIONS

Therefore, the Task Force on Municipal Technology recommends that the FCM:

1. endorse the concept of establishing a centralized reference Data Base;

2. authorize the Task Force to work with the FCM Secretariat in developing a master plan for hardware/software, estimated capital and operating costs and implementation schedule for the program;

3. empower the Task Force to proceed with a search for seed money funding arrangements;

4. work to secure access into existing public and private data banks (including federal and provincial government sources) through a centralized reference data base.

5. establish an advisory committee reresenting potential user and contributory groups to work with the Task Force in developing the program.

TASK FORCE ON RACE RELATIONS

MANDATE

At the 1984 Annual Conference in Winnipeg, the FCM National Board of Directors approved a motion to establish a Task Force on Race Relations. Since that time, the Task Force has been formalized and is launching a municipal race relations program which is consistent with its Terms of Reference.

TERMS OF REFERENCE

Last October, the Board approved of the Terms of Reference for the Task Force. Task Force efforts to date have concentrated on a review and assessment of the actions taken by municipalities to establish race relations programs, on the need to make municipalities more aware of the issue of race relations and encourage action, on the participation of municipal officials and other interested groups in a national symposium on race relations to exchange experiences and information, and on recommendations for further activities. The Task Force has coordinated its efforts with the Multiculturalism Directorate of the Secretary of State, and in January, submitted an application for financial assistance for a municipal initiative to improve race relations in Canada.

THE PROGRAM

The Task Force, with financial assistance from Multiculturalism Canada, has developed a race relations program. The project will consist of five phases including the presentation of a workshop at the 1985 Conference. A National Symposium is planned for November and participants will have an opportunity to discuss the draft Municipal Strategy on Race Relations document.

FUTURE DIRECTIONS

The Task Force has requested the participation of a number of municipal officials from across Canada who have extensive work experience in community race relations to form a Technical Committee to oversee the development of the program.

The Task Force will be submitting a final report to the FCM National Board of Directors in January 1986. A policy document will be produced for the 1986 Annual Conference in Hamilton.

SECTION C
DISCUSSION PAPERS

TASK FORCE ON FINANCING MUNICIPAL GOVERNMENTS

PREFACE

The purpose of this paper is to stimulate discussion in the municipal world on the future of municipal financing. Although the paper contains a number of specific recommendations, it is not intended to be a final or definitive statement on this important policy area. Rather, the FCM's Task Force on Financing Municipal Government hopes it will serve as a basis for nationwide discussions on municipal financing issues and concerns and to encourage municipalities to present their views and proposals. The objective is to develop a national policy position paper which will set out the realities of municipal financing and recommend ways to address these realities in the light of the changing functions and responsibilities of municipal government.

INTRODUCTION

The topic of municipal finance has a permanent place on the agenda of national municipal policy concerns. Technically, municipal financing has become an extremely complex matter; even experts in the field of municipal government and Canada's tax system find it difficult to state in exact terms how municipal financing works in various jurisdictions across Canada. It is virtually impossible to make clear and valid interprovincial comparisons. Politically, municipal financing issues can be the cause of heated debate and acrimony between municipalities and other orders of government. Past efforts to make the financial concerns of municipalities the subject of tri-level review and consultations have been perceived to have resulted in strained intergovernmental relations. Such was the case in the mid-seventies when the Federation of Canadian Municipalities produced a strong statement about municipal grievances. The publication of "Puppets on a Shoestring" was soon followed by the demise of formal consultations among the three orders of government which had been initiated to review the state of municipal financing across Canada. The "political environment" is made sensitive by the fact of constitutional jurisdiction. The federal government is unwilling to take any action on municipal issues and concerns which might be regarded as an encroachment on matters which fall within provincial authority. (1)

Despite the technical and political difficulties that may be involved, there is no reason to suppose that municipal government should not have a national policy with respect to municipal financing. Such a policy should be based on the following elements:

1. an informed appreciation of the way in which the system of municipal financing varies from one provincial jurisdiction to another. It is important to ensure that whatever a national policy may say at any time reflects an awareness of the diversity of provincial law and municipal practices. What may be of concern to municipalities in one province may have no relevance for municipalities in other provincial jurisdictions.

2. a sensitivity for the way in which specific concerns may reflect size and type of municipalities. The nature and degree of concerns vary between large and small municipalities, and between rural and more urbanized municipalities. Concerns may also vary in relation to the particular types of responsibilities and functions which different municipalities have, the way in which they are organized and their type of municipal government. In addition, the nature of provincial and regional economies has a direct bearing on municipal financing.

3. an awareness of the variety of views which are held by municipal politicians about the proper role and functions of municipal government, and about the appropriate use of the property tax, i.e., differences between "modern" and "traditional" perceptions of municipal government.

4. recognition of differences of opinion about "equity" considerations in various types of taxation. It is not uncommon for property tax to be referred to as a regressive" form of taxation. However, there is not unanimity on this matter.

5. an appreciation of the changes which certain provincial governments have introduced to create a greater degree of financial autonomy or flexibility for their municipalities.

6. recognition of the differing roles of provincial and federal governments in providing financial support to municipalities, i.e., capital and operating expenditures.

7. an appreciation of the way in which Canada's economic, social and cultural history and diversity comes to affect municipal financing and the concerns which municipalities have. This would include the affects of economic and demographic shifts.

8. recognition that a variety of demographic, technological and social changes are going to have- indeed are having- a profound affect on the way in which municipal financing issues are defined and addressed. In this respect, an increasingly aging population, together with other factors, is likely to put a greater financial burden on the property tax. At the same time, such factors as decline in school population will result in reduced expenditures on education services. However, changes in life-style and other factors are likely to lead to increased public pressure for such services as day care centres.

9. appreciation of the actions that placed the financing of local services on a firmer and more rational footing, including the transfer of functions to provincial governments, the rationalization of municipal jurisdictions both through organizational change and the realignment of municipalities to make their operations more cost-effective and efficient.

10. recognition that over the last two decades there has been substantial changes in the way municipal services are financed. In this regard, it should be noted that in 1960 property taxes provided two-thirds of the total revenue of municipalities; by 1977 this proportion had fallen to one-third.

11. an awareness that, although the property tax remains the principal source of municipal revenue, grants from other orders of government have grown in importance as a source of local revenue. This should be considered by municipalities in pursuing whatever concerns they may have with respect to pressures on the property tax base, and the utilization of the property tax for purposes which may not be considered municipal in nature. It should be noted that smaller municipalities are more dependent on grants than their larger counterparts, and municipalities in certain provinces are more dependent than their counterparts in other provinces.

12. sensitivity to the fact that municipal taxing policies require reform to reduce or eliminate discrimination in the way in which individuals and various types of property are taxed.

13. recognition that there are several areas of initiatives open to municipalities to improve their fiscal situations by changing their own revenue-generating policies and programs, and making their operations more cost-effective and efficient.

14. recognition that although provincial governments have constitutional jurisdiction over municipalities, the latter enjoy close working relations with the federal government in a number of areas. Many federal programs directly affect local government, e.g., transportation, communications, housing, environment, recreation and culture.

15. recognition that federal assistance, direct or indirect, have had the important effect of creating greater equity in the provision of provincial/local services across Canada than would otherwise have been the case.

16. consistency between the emphasis on municipal "self-help" and self-initiative and the changes which municipal government would recommend to the system of municipal financing and federal and provincial policies and programs. Despite the efforts by municipal government to achieve a "partnership" status with the other orders of government and to be regarded as "governments in their own right", some continue to hold an impression that municipalities are more concerned with receiving "bail-outs" from other orders of government and greater financial assistance through various federal and provincial programs, than with fully utilizing the financial and legislative powers they have under provincial law.

17. awareness that the current state of the economy and the fiscal difficulties of federal and provincial governments will have a direct affect on municipal financing and the identification of options for dealing with municipal concerns and issues. It is unlikely that grant support from federal and provicial governments will grow as quickly as in the past.

18. reinforcement of the national municipal position to recognize and respect provincial government jurisdiction over municipal affairs.

19. recognition that certain municipal financing concerns are more appropriately dealt with by provincial and territorial municipal associations.

ISSUES

1. Fiscal Capacity

Over the years, the central concern of municipalities has been with the strains which have been created affecting their fiscal capacities. Municipalities have had to contend with growing pressures on own source revenues to meet a variety of changes and demands. The increasing costs of providing a variety of municipal services may be attributed to a number of factors: urbanization and industrialization, price changes, increased incomes, larger population, changing public expectations and demands, and so on. A major factor has been the practice of provincial governments to impose additional functions and responsibilities on municipalities without providing adequate funds to enable municipalities to meet these new obligations. In effect, municipalities are committed by their provincial governments -often by statute - to provide certain services over which they have little control in terms of either quantity or quality. This, plus new public demands for services, makes it extremely difficult for municipalities to finance their operations without having to place an undue strain on own source revenues.

This municipal perception of the unfairness of their financial situation has been countered, however, by the observation that the real property tax, while continuing to be the primary source of revenue for municipalities, has declined dramatically in relative importance in recent years. In 1980 it accounted for only 35% of all local revenues. As well, it has been observed that municipalities have created some of their own problems through an inability to provide services in a technically and allocatively efficient manner. Also, some maintain that unless municipal councils are required to provide certain services, and encouraged to broaden the scope of what they do through such mechanisms as conditional grants, it is unlikely that many local services which are in the public interest would be provided.

Such arguments as the above have been criticized on the grounds that they fail to recognize that the public is now a major force in

demanding that certain local services should be provided; that municipalities are well equipped with highly professional and well-qualified staff resources; that compared with federal and provincial governments, municipalities have shown a much greater capacity for fiscal responsibility and innovation, efficiency and cost-effectiveness in their operations; that provincial interests and priorities frequently distort local preferences; that municipalities are much better positioned than the other orders of government to provide local services efficiently and effectively in response to local conditions and preferences; that the financial priorities and services of municipalities should reflect the preferences of citizens within a municipal jurisdiction and not be determined by provincial governments; and that the enforced use of the property tax to fund certain local services is an unwarranted abuse of this form of taxation.

2. *Appropriate Use of the Property Tax*

Over recent years certain municipalities have expressed increasing concern about precisely what services they should be expected to pay for from their own revenues. This has been particularly the case in those provinces where municipalities have to share their property tax base with other authorities which provide services which are not strictly municipal in nature. This is regarded as an "invasion" of the traditional and principal source of municipal revenue. In addition, municipalities have expressed concern about whether they should be expected to pay for services which are not directly related to property. For example, it has been argued that the property tax was originally intended to fund services to property and that its use for other purposes, such as social services, cannot be justified. From this "traditional" perspective it is held that "people" services fall more readily within the jurisdiction of other levels of government and should be paid for by them. Others argue that municipalities now have responsibilities which go much beyond their traditional functions. Municipalities according to this "modern" perspective are expected to provide a full range of services to their citizens, and have a capacity to

take the initiative in a wide variety of social, economic and cultural areas, everything from economic development initiatives through to the provision of hospitals, libraries, and recreational facilities and programs. The claim that municipalities should be regarded as "governments in their own right" means that they should accept greater responsibility for the "general welfare" of their citizens.

There is, however, the difficulty of defining precisely what are "property-related" and "people-related" services, and what criteria should be used to distinguish between the two categories of service. Typically what is meant by "property-related" services are those "hard" services such as roads, fire protection and environmental services (garbage collection, water, sewer). "People-related" services are described as "soft" services and include social welfare, health and education. In between there are a number of services which have both "hard" and "soft" characteristics, e.g., police protection and street lighting.

There is widespread concern among municipalities that the difficulty which sometimes develops in determining whether certain services are "property" or "people" related should not become a reason for ad hoc decision or making vicarious demands on municipal own source revenues. Problems of definition should be dealt with in an objective and fiscally responsible way. They should not be used as an excuse to avoid the obligation to establish tax policies which reinforce political accountability for the way in which various types of taxation are used to finance government services, to inform the public of how their tax dollars are spent, and to ensure that the tax system is not used for transferring an unfair and inequitable financial burden to municipalities, particularly during times of fiscal restraint.

It is not unreasonable to argue that the property tax should not be used to finance those services whose <u>principal</u> purpose is income redistribution. The property tax should be used for "property-related" services only. For those services which may be difficult to define, decisions should be based on an objective

assessment of the principal purpose of the service, and the principal beneficaries of that service.

With respect to these matters, it is important to have an objective appreciation of the degree to which "people" services are actually funded from property tax revenues. It has been observed:

> Responsibility for health and social assistance has been largely taken over by the federal and provincial governments. At most, municipalities, may operate, but seldom pay for, hospitals and ambulance services. In larger cities they may perhaps also run a public health program. Although the municipal role in social assistance is also very limited, where there is joint federal - provincial - municipal funding under the Canada Assistance plan (CAP), municipalities may pay as much as 25 per cent of the cost of certain types of welfare, with 25 per cent from the province and 50 per cent from the federal government.
>
> Finally, municipalities also play a limited role in terms of expenditures in the areas of housing, industry and tourism, and recreation and culture. Although some municipalities, usually only the largest, provide assisted housing and senior citizen housing, housing is largely a function of the federal government through CMHC and the various provincial housing ministries. Municipalities also operate cultural and recreational activities, usually of local interest, such as parks, libraries, and recreational centres. These too are often funded, in part, by provincial grants. (2)

It would appear that the financing of health services from local revenues is most pronounced in Saskatchewan (13.6 per cent of total local expenditures) and Alberta (14.9 per cent). Health expenditures are also reasonably large in certain Ontario cities. With respect to social services, expenditures are most pronounced in Nova Scotia (9.6 per cent of total local expenditures) and Ontario (6.0 per cent). Education services consume a substantial portion of local taxes in all provinces except for New Brunswick, Prince Edward Island, and Newfoundland. (3)

3. *Nature of the Property Tax*

The property tax has been criticized on many grounds:

> It has been called inherently regressive, inelastic, and an inadequate generator of municipal revenues. It has been labelled "unfair" because it is unrelated to ability to pay, "unrealistic" because it is unrelated to benefits, and "unsuitable" because it supports services unrelated to property. Its effects on housing, land use, and urban development have been castigated; the determination of its base has always been controversial because value, unlike income or sales price, is a matter of opinion, not definition; and its political unpopularity has long been acknowledged by all. (4)

Of all these criticisms, the one which is most often repeated is that the property tax is regressive in nature. Today, many assume that that is the case. More recently, however, this assumption has been brought into question. Careful analysis indicates that property tax is not as regressive as some people suggest. It has been observed that:

> The emphasis on personal income as the best index by which to judge the fairness of a tax does not present a complete picture. An individual's ability to command goods and services is not only a function of one's income but also of one's wealth, part of which is frequently held in the form of real property. Since high-income earners are more likely (through one device or another) to escape income taxes and since a large percentage of this income frequently is converted into property, a more extensive use of property tax would capture some of the untaxed income, a large portion of which consists of net inputed rent and is, therefore, nontaxable.
>
> Furthermore, ... a review of the recent literature challenges the claim that property taxes are as regressive as traditionally stated. In fact, the more recent interpretation and evidence suggests that the impact on taxpayers may be proportional and even somewhat progressive in the higher-income groups. The magnitude and strength of the traditional criticism of regressivity that has been levied against the property tax can no longer be upheld. (5)

The property tax is open to improvement:

> ...a move to market value assessment on all properties (residential, commercial, and industrial) in all provinces would eliminate a number of inconsistencies that exist particularly within but even among municipalities. In addition, the inclusion of all

> tax-exempt property in the tax base would eliminate the favourable treatment these properties currently enjoy and would very likely lead to an overall improvement in the allocation of resources. The extent to which social policy dictates that certain relief should be provided to organizations currently owning tax-exempt property, should be applied in the form of cash grants. As such, taxpayers would be more fully aware of the assistance and better able to judge whether it was acceptable or worthwhile. (6)

It should also be noted that the regressivity of the property tax has been lessened by such measures as grants, exemptions, credits and so on. However, such measures as taxing nonresidential properties at a higher rate than residential properties creates inequities which cannot be justified.

4. *Discriminatory Aspects of Municipal Taxation*

The taxation of nonresidential properties by municipalities has been subjected to a great deal of comment and criticism by tax experts. It has been noted that property taxes in Canada generally favour residential property when compared to nonresidential property. The rate of taxation for nonresidential property is much higher that it is for residential property. "In Ontario, for instance, residential property is normally assessed at a lower percentage of market value than is nonresidential property" (7); and:

> Morever, residential property is subject to lower tax rates, whereas business property is subject to an additional "business tax" on the same property valuation. The net

> result is that the average effective tax rate on business property, at least in Ontario, is probably higher than that on residential property. (8)

Furthermore, it has been observed that business receives only about 60 per cent of the benefits received by the residential sector from municipal services.

In addition to the above, it should be noted that taxing nonresidential property facilitates tax exporting and breaches "an important general principle of local finance, namely, that - in the absence of demonstrated benefit spillovers - local taxes should be paid by local residents". (9)

> ...over half the total taxes levied on nonresidential property are not paid by local residents at all but by people living in other, often poorer, communities that receive little or no benefits from the services financed by these taxes, In addition to the dubious ethical merit of the nonresidential property tax, as a tax on capital it distorts the allocation of capital in the private sector, and as a relatively painless method of finance it tends to induce inefficient additional local expenditure to the benefit, of course, of local residents who may not be willing to bear the cost of such expenditure themselves but are naturally not reluctant to reap the benefits, but to society's loss. (10)

and,

> Local politicians would doubtless be unwilling to give up such a painless and productive revenue source nonresidential property

> taxes probably account for about half of all property taxes on average and thus finance about 25 per cent of all local expenditures but there certainly seems good reason for the "provincialization" of at least this part of the property tax. (11)

5. *Municipal Autonomy*

Increasing responsibilities have been accompanied, not surprisingly, by municipal demands for greater financial autonomy. Municipalities regularly express frustration about having to depend on other orders of government for financial assistance while recognizing, however, that without such assistance they would be unable to meet the needs and expectations of their citizens. Their frustration is not with assistance per se, but with the emphasis on the use of conditional grants, and the uncertain nature of provincial commitments from year to year. These factors undermine a municipality's ability to govern properly in relation to both the interests of citizens and long-term budget planning and priorities. To rectify this situation municipalities have demanded that there be far less emphasis on conditional grants, greater use of unconditional grants, and a willingness on the part of provincial governments to guarantee a percentage of their revenues to municipalities. The latter would give municipalities access to "growth taxes" and provide them with greater financial autonomy and certainty in the conduct of their affairs. Except for British Columbia and Manitoba there has been little sign of a provincial willingness to move in this direction.

With respect to conditional grants there is justification for their use with respect to those services which "spillover" jurisdictional boundaries:

> In most cases, the benefits of publicly provided services, such as health or education, are not confined to the residents of the

> jurisdiction, but rather "spillover" to accrue to the residents of neighbouring communities. In such instances, conditional grants allow provincial governments to direct their assistance to services that generate these externalities, by inducing a greater provision of the service, or simply ensuring the achievement of a specific level or quality. In short, subsidies are necessary to ensure that municipalities do not neglect projects where important spillover effects exist, since the jurisdiction providing the service is likely to consider only the benefits accruing to its provides an incentive for municipalities to finance only those projects that benefit its own residents directly, leading to a less than optimal allocation of resources and the ensuing result that all residents (both in that community and adjacent communities) are left with a level of service lower than is deemed desirable from society's point of view. (12)

Apart from this consideration unconditional grants are considered superior to conditional grants.

> Unconditional grants leave local governments accountable for their actions. Conditional grants, on the other hand, leave the taxpayer in a weakened position in terms of expressing his/her own preferences. With conditional grants it is important to stipulate who is responsible for providing the service and, in turn, who becomes accountable in the implementation of that service. Clearly, unconditional

> grants appear to be superior to conditional ones in preserving sound local government. (13)

At the same time advocacy of unconditional grants should take account of other factors:

> While an increased emphasis on unconditional grants may generate greater local autonomy, it may also create a few unwanted and unexpected consequences. For example, if unconditional grants are less stimulative in their effect on local expenditures than are conditional grants, then certain services that are provided under conditional grants may not be supplied if these grants are deconditionalized. It is also possible that some local governments prefer to have their expenditure decisions dictated by provincial authorities and thus prefer conditional grants. (14)

6. *Grant Structure*

Except for Nova Scotia and Prince Edward Island, where there has been substantial deconditionalization of transfer programs, and New Brunswick, where many local responsibilities have been transferred to the provincial government, provincial grant systems are extremely confusing and complex.

> ...the multitude of conditional grants with their separate rules, provisions and formulae have created complex and confusing transfer systems (perhaps nowhere as confusing as in Ontario). This complexity has led to a higher than necessary administration costs. For example, provincial authorities must devote considerable time to assessing eligibility, allocating the funds, and monitoring the

> funds, and monitoring their use. Local officials devote an inordinate amount of time deciphering eligibility rules and making applications for funds. This complexity also generates uncertainty in the calculation of future grants, and thus creates serious forecasting problems and the concomitant future budgetary requirements. It has been argued that the larger and wealthier municipalities have been the real beneficiaries from such a complex grant structure, for they are the communities who can afford the cost and time of hiring employees who are responsible for keeping up to date on changes in the rules and regulations, so as not to miss out on potential funds. (15)

and,

> ...the chaotic and complex nature of the local grant system structure can be attributed largely to two features that are peculiar to this transfer system. The absence of any periodic and systematic review of provincial - local grants (federal - provincial transfer programs are reviewed every five years) and the large number of local government, their separate agencies, boards and commissions, each of which receive grants on their own (federal government transfers almost always go to provincial governments alone) have contributed to grant structures that seldom change, are difficult to comprehend, and defy any serious rationale.
>
> Clearly, what is needed is greater acceptance, by provincial and local authorities, of a careful and thoroughly presented

> review of the existing grant structures. This review should outline the role of local government and, with this in mind, design a more simplified and rational system of local grants. (16)

7. *Special-purpose Bodies*

The proliferation of special-purpose bodies has also received criticism:

> Of the many boards and commissions currently in existence at the local level a large number enjoy considerable autonomy and financial independence. In fact, most of these bodies are little governments in themselves with the inherent characteristic that they are legally independent and in no way subordinate to the municipal council. Although this structure may offer certain advantages, the effect of this proliferation of decision-making bodies has been to "create a diffuseness of municipal organization that is inevitably more difficult for the citizens to understand, much less to control". With responsibilities divided among such a large number of separate local bodies, coordination of interrelated activities is difficult and, in many instances, impossible to achieve. All too frequently, attempts by local councils to undertake particular programs or services are thwarted or made more difficult because of decisions made by special-purpose boards or commissions. For example, a coordinated approach by council to administer effectively and to provide

> community and social services is complicated because the relevant programs may fall under the jurisdiction of such bodies as the children's aid society, the housing authority, the library board, or the health unit and council. Similarly, actions taken by utility commission, parks' boards, conservation authorities, industrial commissions or planning boards may conflict with local council's overall planning efforts. (17)

and,

> ...the great diversity of special-purpose bodies weakens the thrust of local government accountability and responsibility. With the exception of very few boards and commissions (school boards and utility commissions in Ontario, for example), the membership of local special-purpose bodies is appointed rather than elected. This "so-called" sheltered position has been defended on the grounds that sensitive issues should be "protected from politics". It can be counterclaimed more legitimately, however, than sensitive political issues should be placed directly under council control so as to ensure maximum accountability and responsiveness to the local taxpaying public.
>
> In essence, it can be argued that the function and role of all boards and commissions should be reviewed seriously with the objective of eliminating those agencies for which an extremely strong case cannot be made for their retention. Such elimination would lead to greater

political control, financial accountability, and efficiency of operation. (18)

8. *Termination of Government Programs*

Of great concern to municipalities has been the practice of other orders of government to terminate programs in "midstream", often very suddenly and with little if any consultation with municipal government. The effect of this has been to eliminate programs of substantial benefit to municipalities, and to leave them with the choice of having to accept an additional burden on their limited financial resources or withdrawing from an activity altogether. Municipalities have also expressed frustration with the tendency of federal and provincial governments to change the policies and procedures which apply to their programs. Often this is done without prior consultation or the opportunity to discuss the merits of such changes at the political level.

9. *Federal-Provincial Arrangements*

The changing nature of federal and provincial financial arrangements has also had the attention of municipalities in recent years. While recognizing and respecting provincial jurisdiction over municipal matters, municipalities have expressed caution concerning the withdrawal of the federal government from the direct financing of programs in favour of block funding to provincial governments. Municipalities fear that they cannot expect to receive the same level of support as they have received in the past from the federal government.

10. *Broader Implications of Property Tax*

At another level, municipalities have reflected on the broader implications of the property tax. The importance of the property tax, together with the general desire of municipalities to "strengthem their tax bases", has a significant influence on the ability of municipalities to maintain the integrity of their longer term policies and priorities particularly in such

matters as land use planning, historic preservation, etc. It is felt that the competition for private investment requires municipalities to make compromise decisions to the detriment of the larger community interest. For this and other reasons it has been suggested by some that the property tax should be eliminated altogether.

11. *The Future*

More recently, municipalities have become extremely concerned about the way in which economic conditions and demands for greater fiscal responsibility by government may affect them. In short, they do not want to become the victims of federal and provincial efforts to cut back expenditures.

1. *RECOMMENDATIONS FOR REFORM*

Although there is considerable variation in municipal financing policies and practices within and among different provincial jurisdictions across Canada, there are a number of areas where it is possible to define certain principles and changes which could have national application. These principles and changes may have greater applicability in some jurisdictions than others, but together they point to directions which would help to restore greater municipal autonomy within the present constitutional context of provincial/municipal relations.

1. That property tax revenue should be used for property-related services only. For a service which may be difficult to define as to whether it is "property" or "people" related, the decision should be based on an objective assessment of the principal purpose of the service, and the principal beneficiaries of that service.

2. That people-related services should be funded by provincial and federal governments through their own revenue sources. Since social welfare and health care services, for example, have income distribution purposes, it is proper that they should be paid for through the appropriate revenue source, i.e., personal income tax.

3. That for the purpose of achieving fiscal responsibility, political accountability and proper use of taxation powers, access to the property tax should be restricted to municipalities which have been duly incorporated under provincial government statute.

4. That in those cases where local services can be more efficiently and effectively delivered at the local level, provincial governments should contract with municipalities to provide

such services, e.g., low-income housing, day care.

5. That in instances where provincial governments believe that it is necessary and desirable for certain local services to be provided in addition to those property-related services normally provided by a municipality, and feel a responsibility to encourage the provision of those services, then the provincial governments should assume full financial responsibility for such services, e.g., day care, hospital care, ambulance, libraries.

6. That in those cases where provincial governments require services to be produced at the local level that are people-related, but are unwilling to assume full financial responsibility for them, then municipalities should be able to have an alternative source of local revenue to underwrite such services.

7. That, as a matter of general principle, where a provincial government is providing finance for the provision of a service not normally provided by a municipality, expenditure decisions regarding that service should be the responsibility of the province.

8. That the allocation of conditional grants to municipalities should be used in instances where they are necessary to compensate to spillover factors. Such grants would be allocated to support that kind of municipal service whose benefits spill beyond the local jurisdiction of that service. The portion of the cost paid by the grant should reflect the portion of benefits spilling out into other jurisdictions.

9. That the allocation of conditional grants should be used to finance local services and activities which fall

within provincial responsibility (e.g., connecting roads and district planning), and to underwrite projects which are of such a magnitude that they are beyond the capability of a municipality to finance through the property tax, e.g., bridges, water treatment plants.

10. That unconditional grants should be used to address the issues of equalization and "fiscal gap". In the first instance, such grants should be used to supplement the financial capacities of municipalities to provide goods and services, and thus equalize the fiscal capacities of municipalities or at least minimize disparities. In the second instance, such grants should be used to remedy any discrepancy between the revenue raising powers of a municipality and its expenditure responsibilities. In both instances, the use of such grants should be at the sole discretion of the municipalities that receive them.

11. That education services should be funded solely by provincial governments from their own revenue sources. The financing of these services, even in part, should not be imposed on the property tax base.

12. That provincial governments should make long-term commitments for the provision of grants to municipalities so that the latter may properly plan and budget for future expenditures and revenues.

13. That federal and provincial governments should make long-term commitments to programs which involve municipalities in obligations with respect to local services and other initiatives. Such programs should not be changed or terminated in mid-stream without consultation with municipalities, e.g., Community Services Contribution Program.

14. That federal and provincial governments should consult directly with municipalities with respect to the development and implementation of programs which directly affect the provision of local services and amenities.

15. That provincial governments should rationalize and reduce the multitude of special-purpose bodies which operate in many municipal jurisdictions. The principal objectives of such rationalization should be to transfer the functions of these special-purpose bodies to either the municipal or provincial jurisdiction whichever is appropriate to achieve greater administrative efficiency, and to strengthen poltical accountability.

16. That provincial governments, in cooperation with municipalities, should rationalize and reduce the multitude of conditional grants which exist in many provinces into one understandable efficiently administered, and cost-effective grant structure.

17. That provincial governments should have regular and systematic reviews of their grant structures.

18. That there should be regular consultation between provincial and municipal governments about grant programs and policies, so as to reduce arbitrary decision-making, particularly at the bureaucratic level, and to improve understanding and cooperation between both orders of government.

19. That consideration should be given to the introduction of provincial revenue-sharing and tax-base sharing programs to supplement local revenues, e.g., "growth taxes".

20. That property tax credits and similar measures should receive serious consideration by provincial governments as a way to supplement the regressiveness of the property tax.

21. That the discriminatory aspects of municipal nonresidential taxes should be carefully examined for the purpose of bringing about reform in this area.

II. *RECOMMENDATIONS FOR CHANGE TO THE MUNICIPAL TAX SYSTEM*

Tax experts and other commentators have pointed to a number of areas where action should be taken to promote the soundness of municipal taxation policies and practice. They include:

1. That property should be assessed at full market value, and reassessed more frequently.

2. That municipal property tax policies should be sufficiently flexible to allow for differential rates. Tax rates should reflect the costs of serving various properties in relation to type and location of property.

3. That municipal property tax systems should attempt to relate the rate of taxation to the benefits received, e.g., relate property tax to front footage and lot size.

4. That municipal property tax systems should allow for variations in tax rates for the purpose of encouraging or discouraging particular types of land use or development.

5. That municipal tax assessments must be fair, consistent and accurate. It is not unusual to find substantial variation in the ratio of assessed to market values within and among municipalities, and within and among different categories of property. Research indicates that:

   (i) residential property tax is frequently underassessed relative to commercial and industrial property

   (ii) apartment dwellings tend to be assessed at a higher proportion of market value than single family dwellings

(iii) land values appear to be underassessed in relation to building values

(iv) older buildings are often underassessed vis-à-vis new buildings

(v) there is overassessment of low-value rental units relative to high-value units. (19)

6. That property tax exemption for organizations should be terminated, e.g., charitable, religious and education institutions. If there is justifiable cause for certain organizations to receive preferential treatment, then the form of assistance should be grants from the municipal council. This would ensure that subsidization is more open to public knowledge, and would allow elected representatives to determine more easily the relationship between assistance given and the public interest.

7. That more use should be made of property-related levies:

(i) require developers to provide certain services, such as water, sewers, and parks, to municipal standards before they are permitted by the municipality to develop and sell lots

(ii) subdivision agreement between the developer and the municipality in which the developer pays a "lot levy" to the municipality to provide certain services

(iii) have the municipality provide the services and then charge the property tax owners through special assessments

(iv) have the developer provide all services internal to the subdivision and have the municipality charge a lot levy for off-site services. (20)

III. *RECOMMENDATIONS FOR ENHANCING THE FISCAL CAPACITY OF MUNICIPALITIES*

Over recent years municipalities have become aware of and introduced a variety of measures to improve their fiscal capacity. Particular emphasis has been given to such measures as the following:

1. The shifting of responsibility for certain services from the public to the private sector. Municipalities contract with the private sector to provide such services as municipal refuse collection, snow removal, and street construction and maintenance. Quality can be assured through regular tendering and monitoring by the municipal council.

2. Joint purchase arrangements among municipalities in a given area for large pieces of capital equipment.

3. Greater care in the setting of local wage and compensation packages.

4. Improvements in financial management.

5. Greater use of user charges.

6. Intermunicipal pooling arrangements.

7. Productivity improvement measures.

8. Application of new technology and technical advances to achieve greater efficiency and cost effectiveness.

REFERENCES

1. In preparing this Discussion Paper, the Task Force on Financing Municipal Government has been indebted to the scholarship of such experts as Richard Bird (Professor of Economics at the University of Toronto), Enid Slack (economic consultant specializing in public policy research), Harry Kitchen (Professor of Economics at Trent University, and Mel McMillan (Professor of Economics at the University of Alberta). The use of their work and the recommendations contained in this paper are the responsibility of the Task Force and should not be attributed to them.

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3. Ibid., pp. 40-41.

4. Ibid., p. 60.

5. Harry M. Kitchen, Local Government Finance in Canada, pp. 210-211.

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